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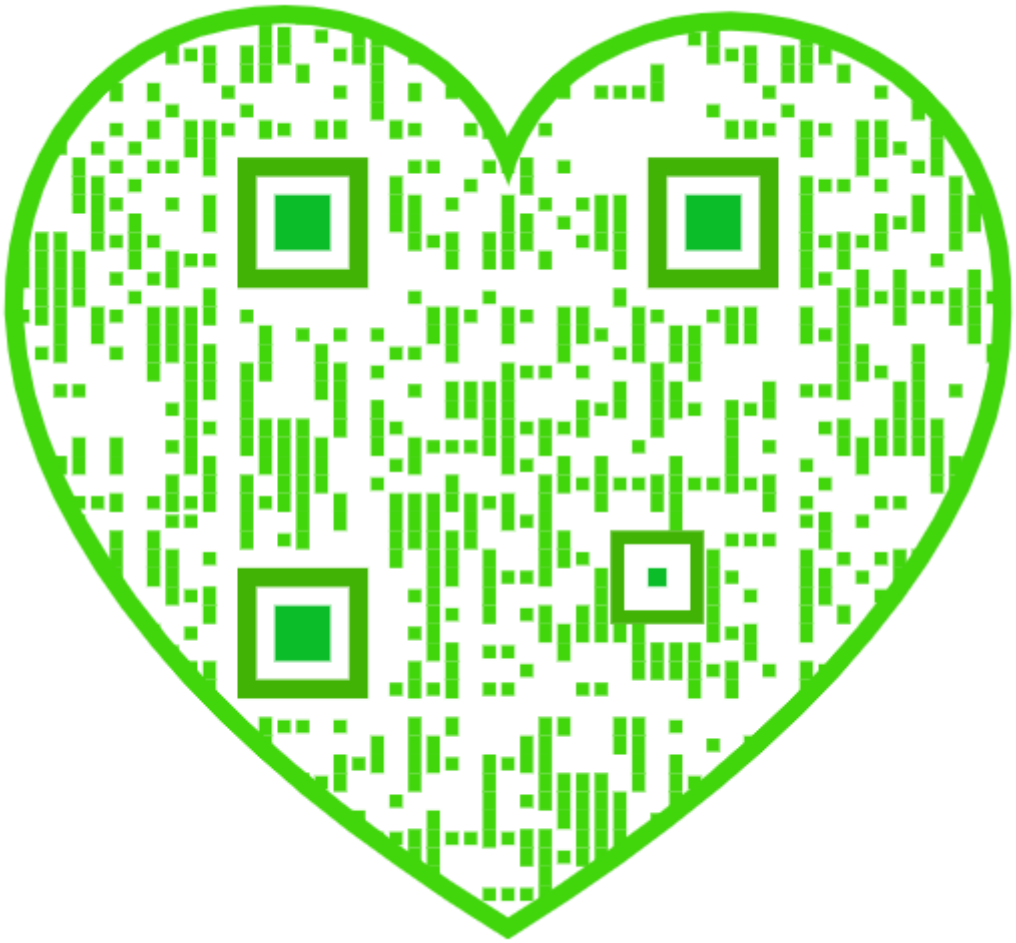

61ST CONGRESS } SENATE { DOCUMENT
2d Session } { No. 574

NATIONAL MONETARY COMMISSION

German Imperial Banking Laws

EDITED BY

DR. R. KOCH
Former President of the Reichsbank

Together with the
German Stock Exchange
Regulations

Washington : Government Printing Office : 1910

HG 3043
.K8

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PART I

German Banking Laws

GERMAN IMPERIAL BANKING LAWS.[a]

INTRODUCTION.

By Dr. R. Koch,
Former president of the Reichsbank.

The conditions which prevailed in Germany, not much more than a generation ago, with regard to the media of circulation—coins, paper money and bank notes—afforded a striking picture of our political confusion. The constant effort towards a uniform coinage system brought no satisfactory result. The Vienna Monetary Convention of the 24th of January, 1857, which was a result of the Dresden Monetary Convention of the States of the Zollverein of July 30, 1838, had indeed adopted the single silver standard, at that time the prevailing one in Germany, and had introduced for the contracting States (the Zollverein and Austria, including Liechtenstein) the Zollverein pound of 500 grams as the standard coinage weight. But within these limits there were still three distinct standards: the thaler standard in North Germany (with various subdivisions of the thaler), the 52½-gulden standard in South Germany, and the 45-gulden standard in Austria (including Liechtenstein). In addition there were the earlier coinage

[a] The English translation has been prepared for the National Monetary Commission by Frank F. Rosenblatt, A. M., of Columbia University.

standards of the country in the States not belonging to the Zollverein. Thus, up to the year 1871 Germany had, together with the French standard of Alsace-Lorraine,[1] seven coinage systems. The situation was no better with regard to the paper money system. Of all the German States only six of the smallest (Lippe-Detmold, Lauenburg, Lübeck, Bremen, Hamburg, and Alsace-Lorraine) had issued no paper money. In the States of the North German Confederation there were outstanding in the year 1870, 40,652,742 thalers,[2] besides the paper money of the Grand Duchy of Oldenburg, which had been issued to the amount of 2,000,000 thalers by the Oldenburg *Landesbank*. In all the States of the German Empire, according to the reports of the Federal administrations of October, 1872, there were in circulation 61,374,600 thalers of state paper money of different kinds.[3] The objection against the so-called "wild bills" (*wilde Scheine*) which could be passed beyond the limits of the States which issued them only with difficulty and loss, and which no one could help accepting, was general. We must also take into account the more acceptable, though not considerable, amount of paper money which was issued upon special concessions[4] by railroad companies, municipalities, and other corporations. The amount of circulating paper money constantly increased, after the middle of the fifties, through the development of bank notes. Thus the Bank of Prussia,[5] which in 1846 had grown out of the former Royal Bank (a pure state bank), was vested with the unlimited right of note issue in 1856, and, as a result of its services during the great crises of

1857, 1866, and 1870, it developed into a central note bank for the greater part of Germany. On considering the importance of this bank, the nine private note banks in the old provinces of Prussia, with their privilege of note issue, limited always to 1,000,000 thalers, must sink into insignificance. At the same time, the other German sovereigns made very liberal use of their authority of granting the privileges of note issue, and often on a scale quite exceeding the amount justified by the extent of their State. The effort of Prussia to protect itself by forbidding the circulation of such foreign notes [6] was unsuccessful, especially in middle Germany, because of the various and changing business relations of the territories. Thus, disregarding Bavaria, the circulation of uncovered notes—that is, uncovered by bullion—in Germany increased, according to the monthly records, from about 15,000,000 marks at the beginning of the fifties to an average of 202,296,000 marks in 1867, to 342,543,000 marks in 1870, and to 400,284,000 marks in 1873.[7] At the end of 1870 the uncovered note circulation in Germany, including Bavaria, amounted to 448,159,000 marks; and at the end of 1873 the total note circulation was 1,352,548,000 marks, of which 426,808,000 marks were uncovered.[8] More than 140 kinds of paper certificates (bank notes and paper money in its different denominations) were in circulation in the German Empire in 1873.[9]

The newly united Germany soon realized that such conditions could not be endured any longer, and the constitution of the North German Confederation, of the 26th

of July, 1867,[10] had already provided, in article 4, for enactments subjecting such matters as the following to the supervision and legislation of the Confederation:

"SEC. 3. The regulation of the measure, monetary, and weight systems, as well as the provisions for the emission of funded and unfunded paper money.

"SEC. 4. General provisions regarding banking."

These provisions were repeated in the constitution of the German Confederation,[11] which went into effect on the 1st of January, 1871, and in the constitution of the German Empire of the 16th of April, 1871.[12]

The first step in the direction of preventing a further voluntary increase of bank notes and paper money was taken by means of a law passed on the 27th of March, 1870,[13] concerning the issue of bank notes. This law, which lasted only until the 1st of July, 1872, made the acquisition of the right of issue dependent on a federal law (sec. 1). This right was to be granted upon the recommendation of the state administration.[14] The same requirement was introduced for the extension of the existing privileges (secs. 2 and 3).[15] At the same time the recall of the latter was made easier (sec. 4).[16] Similarly, the law of the 16th of June, 1870,[17] concerning the issue of paper money subjected the further issue or the granting of authority for such issue to federal legislation, upon the recommendation of the state administration (sec. 1). The act allowed the replacement of paper money by new certificates of the same or higher denominations (sec. 2) only after the old bills circulating at that time had been withdrawn.

After these precautions were taken the Empire definitely turned its attention to coinage reforms. According to the treaty of the 13th of June, 1867,[18] the coinage treaty with Austria and Liechtenstein was brought to a close at the end of the year 1867. In June, 1870, the Bundesrat decided to institute, through a committee, "an investigation into the conditions connected with the regulation of the coinage." At the same time all considerations and questions which purported to give information regarding the leading points of view on the recent coinage reform were collectively published.[19] The war which broke out in July, 1870, checked this activity. In October, 1871, the Imperial Chancellor placed before the Bundesrat "a bill concerning the coinage of the imperial gold coins," together with a preamble (*Motiven*). This bill came before the Reichstag, after a few changes, on the 5th of November, 1871,[20] and resulted in the passing of a law concerning the coinage of imperial gold coins, which was published on the 4th of December, 1871.[21] It contained decisive measures in regard to the gold standard, involving the coinage of imperial gold coins of 10 and 20 marks, as well as the withdrawal of the former gold coins, and authorizing the Imperial Chancellor to withdraw the former large silver coins of the Federal States; it forbade the further coinage of other gold as well as of all large silver coins; it also made the new imperial gold coins legal tender at the ratio of 15½ to 1. By this law the Empire itself assumed the coinage of gold coins in place of the Federated States, in accordance with the decision of the Bundesrat or the Imperial Chancellor.[22] On the

1st of February, 1873, the coinage bill, together with the preamble, went to the Bundesrat, and on the 18th of March, 1873 (under a new title), to the Reichstag, where it was accepted [23] with numerous changes, and was thereafter published as the "Coinage Law of the 9th of July, 1873." [24] Its purpose was, according to the preamble,[25] "to supplement the law of the 4th of December, 1871; to provide for the coinage of coins of the mark system other than gold; to regulate the whole coinage system of Germany on the basis of the imperial gold standard and the mark system; and to direct the transition in such wise that the new coinage system should come into operation as soon as possible." In the Reichstag an article (2) was appended according to which, in addition to the crown and double crown, a gold 5-mark piece was to be coined and subjected to the regulations applying to the former coins. Furthermore, the law ordered the coinage of imperial subsidiary coins (namely, silver coins of 5, 2, and 1 mark, 50 and 20 pfennigs; nickel coins of 10 and 5 pfennigs, to which, by the law of the 1st of April, 1886,[26] another nickel coin of 20 pfennigs was added; and copper coins of 2 and 1 pfennig [27]). The subsidiary nature of these coins was made evident in their limited acceptability in private business, as well as in the compulsory circulation ordered by the Empire. Besides the federal gold coins, a series of state coins of German coinage had been provisionally admitted as legal tender, and these, together with a number of 1-thaler pieces, were later withdrawn from circulation at the expense of the Empire, while the prohibition of the coinage of other than imperial coins was

made general. With respect to the replacement of the coins, the system established by the law of the 4th of December, 1871, was maintained. The coinage of gold coins (double-crowns), however, was permitted for private account on payment of a moderate seigniorage. This private coinage has since attained great proportions in the Reichsbank. The permanent maintenance of full value is secured by the provision that gold coins which have fallen below the legally established weight as the result of long circulation and wear, and imperial subsidiary coins which in the same manner have declined considerably in weight or recognizability, shall be withdrawn at the expense of the Empire. Foreign coins can not only be demonetized by the Bundesrat, but their circulation can be entirely forbidden, as has happened in several exceptional cases (for example, in 1888) with respect to some foreign subsidiary coins.

A supplement to the coinage law followed, even before the establishment of the imperial standard, in the law of April 20, 1874, which dealt with the change of article 15 of the coinage law of the 9th of July, 1873.[28] That regulation exempted the Austrian union thaler (*Vereinstaler*) from the provision of the coinage law which abolished, after the introduction of the imperial standard, the legal-tender power of coins not specially provided for in article 15. These union thalers amounted to 31,115,849 thalers (93,347,547 marks) at the end of the year 1867, and were found almost exclusively in Germany. The thaler was temporarily given its previous standing in our money system, and its demonetization could thereafter be effected

only by means of legislation The Bundesrat was authorized, however, by the law of the 28th of February, 1892, to order the demonetization of the Austrian thaler in Germany, and to enact the necessary regulation. This demonetization took place by order of the Imperial Chancellor issued on the 8th of November, 1900, after a period of notice for redemption lasting till the 31st of March, 1901.[29] In Austria-Hungary the demonetization of the Austrian union thaler and double thaler followed the regulation of the 12th and 19th of April, 1893.

According to the treaty between Austria and the German Empire concluded on the 20th of February, 1892, the former accepted for melting, during the years 1892, 1893, and 1894, Austrian union thalers to the amount of 26,000,001 marks, in three instalments of 8,666,667 marks each, the total of which was paid for in Austrian notes, the thaler calculated at 1½ florins, Austrian standard.

Matters were still further advanced by the passing of the law of the 6th of January, 1876, which dealt with the change in article 15 of the coinage law of the 9th of July, 1873,[30] and which authorized the Bundesrat to provide that the 1-thaler pieces of the German coinage, as well as the above-mentioned Austrian union thaler before its demonetization, be accepted only in lieu of imperial silver coins, at the ratio of 3 marks to the thaler. Thus, instead of demonetization, the middle course of reducing the thaler to a subsidiary coin could be taken. As a result of this division of authority the coinage reform made no progress. Since May, 1879, the sale of silver coins for the account of the Empire has been suspended, owing to

the continually falling value of silver in the world market (the rest of the silver bullion was later disposed of). Our standard remained therefore a crippled one ("étalon boiteux"), inasmuch as the existing thalers as well as the imperial gold coins are unlimited legal tender.

Although the reforms of the coinage law have on the whole proved successful, experience revealed some deficiencies which the law of the 1st of June, 1900,[31] "concerning changes in the coinage system," sought to remove by introducing several amendments. Among other things it provided for the removal of the gold 5-mark pieces, the 20-pfennig silver pieces, and the 20-pfennig nickel pieces, coins which have not been widely adopted in exchange. It also provided for the raising of the maximum amount of imperial silver coins from 10 to 15 marks per capita, for the renewal of the permission to coin silver medals, and for the repeal of the particular coinage weight. By far the most important of these regulations is the increase of the per capita quota of silver coins. Experience had shown that the existing imperial silver coins were not sufficient to meet business exigencies, and that in exchange people were quite often compelled to accept thalers. The thaler, however, is legal tender in spite of its decline in value, which is somewhat less than the depression of the imperial silver coins caused by the fall in the price of silver.[32] Because of this situation and the lack of relation of the thaler to the prevailing decimal system, it forms an anomaly in our coinage system, which, owing to former coinage laws, could disappear only gradually. The new law (article 4, section 3), however, prescribes that only

state silver coins—that is, only thalers—may be used to increase the coinage up to the new per capita quota. This accelerates the withdrawal of the thaler to such an extent that within a few years it will no longer be circulated or found in the Reichsbank stock.

The coinage reform can be considered as completed only after this last law had been passed.[33] Undoubtedly Germany's credit would rise in foreign countries, if not only the greater part, but the whole metal stock of the Reichsbank—except the necessary amount of subsidiary coins—should, like that of the Bank of England, consist of gold, and if it were made impossible by law, and not, as formerly, only in obedience to haphazard custom, to redeem notes and fulfill obligations in silver—that is, in thalers. Yet the bill was severely attacked in the Reichstag and this opposition succeeded in changing the proposed law in at least one point of considerable importance. Article 4, section 3, of the bill, which was approved in the Reichstag commission, proposed to withdraw as many thalers as would be gained by the new coinage. Thereby not only a debasement of the total circulation (rise of the coinage debt) would be avoided by the withdrawal of the equivalent value of circulating thalers, according to the coinage law of 1873, but there would also be offered the opportunity to buy gold to equal the amount of the earnings accruing from the recoinage of thalers into imperial silver coins (of 10 per cent less value). This purchase of gold would thus cause no loss to the imperial treasury, and would strengthen, even though in a small degree, the gold reserve against the bank notes. Both of these schemes

were discarded by the Reichstag. An excessive increase of the silver circulation might be the result, if the plan given into the hands of the imperial administration should not prescribe a maximum of silver coins. In any case, according to the present form of section 3, each new issue of coins increases, after deducting the cost of recoinage, the face value of the silver circulation by 11⅓ per cent of the recoined thaler stock.

The plans considered by the administration for changing the proportion of silver and alloy of the 50-pfennig pieces,[34] and for giving this coin a more practical shape, were rejected by the Reichstag, which substituted a plan for a new coinage of 3-mark pieces (as subsidiary coins) to be used in lieu of the generally accepted thaler. Such a measure had never before been suggested since the beginning of the coinage reform, and one of the many objections against it was that it did not conform with the practical decimal system which formed the basis of the German coinage. The Bundesrat rejected this scheme, which, however, led to an inquiry in business circles, instituted by an imperial treasury officer. This inquiry showed a strong majority against the coinage of 3-mark pieces.

A resolution of the Reichstag recommended a smaller imperial eagle on the 50-pfennig pieces, in order to render them more distinguishable.

Since the middle of January, 1905, 50-pfennig pieces have been issued with the one-half mark designation and with a sharper edge.

The coinage of gold coins has made great progress in the last few years.

According to the latest "Review of the Coinage and Withdrawal of Imperial Coins up to the End of March, 1903," [35] prepared by the Reichstag according to section 11 of the law of the 4th of December, 1871, the figures for the coinage of imperial gold coins up to the former date were as follows:

	Kilograms.
Fine gold on imperial account, including 2,216.8 kilograms from 6,226,015 marks of gold coins no longer fit for circulation	475,312.4
Fine gold for private account	938,872.9
Total of fine gold	1,414,185.3

According to the published report of January, 1905, there were coined until the end of December, 1904: [36]

	Marks.
Double-crowns	3,377,892,020
Crowns	684,875,550
Half-crowns	27,969,925
Total	4,090,737,495

Of this, 2,765,101,580 marks were coined for private account.

There have been withdrawn—

	Marks.
Double-crowns	13,556,800
Crowns	28,684,260
Half-crowns	24,249,855
Total	66,490,915

There remain in circulation—

	Marks.
Double-crowns	3,364,335,220
Crowns	656,191,290
Half-crowns	3,720,070
Total	4,024,246,580

The coinage of crowns, like the coinage of small gold coins in almost all countries with a similar coinage system,

is much smaller not only because of the greater cost and the increased abrasion, but also because the crowns are being constantly kept in circulation, and thus lessen the bank-note reserve of the Reichsbank. Nevertheless, in agreement with the proposition of the commission, a resolution was accepted by the Reichstag in 1900 by which the Imperial Chancellor was requested to secure an increased coinage of crowns in the new issues of gold coins. This has since been effected.

From the date of its foundation to the 31st of December, 1904, the Reichsbank acquired gold partly in foreign coins and partly in bullion:

	Marks.
From private individuals	2,844,040,714.20
From the Empire	315,509,943.47
Total	3,159,550,657.67

For the coinage of imperial silver coins there were given to the mints until the end of March, 1903, in state silver coins—i. e., thalers—and in bullion from such coins, 3,125,776.6 kilograms of fine silver, besides 150,444.2 kilograms which were realized in the process of recoinage, from the melting of 30,173,300 marks of 20-pfennig pieces and from 1,001,108 marks of other imperial silver coins which were no longer fit for circulation.

After the withdrawal of 31,464,710 marks of the various kinds of coins, there remained in circulation at the end of December, 1904:

	Marks.
5-mark pieces	202,851,480
2-mark pieces	224,345,488
1-mark pieces	228,716,032
50-pfennig pieces	71,411,753
20-pfennig pieces	5,466,604
Total	732,791,357

Of the nickel coins issued till the end of December, 1904, 4,720,428 marks were withdrawn and there remained in circulation:

	Marks.
20-pfennig pieces	542,044
10-pfennig pieces	48,283,377
5-pfennig pieces	23,821,461
Total	72,646,882

Of copper coins 16,795,163 marks were coined and 3,520 marks withdrawn, leaving a balance of 16,791,643 marks in circulation.

The imperial stock of bullion, which at the end of 1883 still amounted to $188{,}936\frac{164}{1000}$ pounds fine, was either sold or consumed.

The imperial mark-standard has been introduced into the German colonies, with certain modifications, by various ordinances of the governors, since 1886, and in 1905 it was uniformly established in all the colonies except German East Africa and Kiautschou. In German East Africa the rupee standard exists on a gold basis, while the Chinese money system has remained unchanged in Kiautschou.

In its final provision (art. 18) the coinage law prepared the way for the further reform of bank notes and paper money. With regard to state paper money, it was stipulated that its circulation should be stopped not later than the 1st of January, 1876, and should be publicly recalled at least six months before that time. On the other hand, a motion made to exchange all state paper money for bank notes, which in general have many advantages, was not carried.[38] The law ordered instead the

issue of imperial paper money according to a special stipulation, which also purported to give detailed provisions regarding facilities to be afforded to the individual States for the purpose of withdrawing their paper money.

To render operative the promise herein contained, a law concerning the issue of imperial treasury notes (*Reichskassenscheine*) was passed on the 30th of April, 1874.[39] In this law the provision is repeated that no federal State is permitted to issue paper money or to grant its issue except by imperial edict (sec. 8). The imperial paper money (imperial treasury notes), which no one is compelled to accept in private business, was issued in lieu of the former state paper money, in a cautiously limited amount, in denominations of 5, 20, and 50 marks, and was distributed according to population among the States in the proportion in which the latter bear the burdens of the Empire. The sum issued was 120,000,000 marks, corresponding with the amount in the imperial war treasury.[40] From this total were to be deducted the advanced sums received by the States for the purpose of withdrawing their excessive paper money, which sums were to be returned not later than December 31, 1890. According to the latest published report concerning the execution of the law,[41] by the end of March, 1892, 183,148,967 marks, out of a total of 184,298,529 marks of state paper money, had been withdrawn and destroyed. Of the maximum amount of 54,889,941.72 marks allowed by section 3 for advance payments, 54,123,567.14 marks had been reported by the imperial treasury as paid back by the 31st of December, 1890 (the legally designated

term). As a result of these repayments, 54,123,565 marks of imperial treasury notes were withdrawn and destroyed. In the meantime new notes were issued in the years 1882 and 1883, and the notes of the old issue were withdrawn, with the exception of small arrears, in regard to which the law of the 21st of July, 1884,[42] provided that they should be redeemed after the 21st of July, 1885, only by the Royal Prussian comptroller of state paper money. The denomination of 50 marks of the new emission has been replaced since 1899 by another type. The so-called Wilcox paper, used for replacing imperial treasury notes (and in fact Reichsbank notes also), is protected against counterfeit by the law of the 26th of May, 1885.[43]

The regulation of bank notes marked the close of the great reform. The operation of the above-mentioned law of the 27th of March, 1870, was extended by the law of the 16th of June, 1872,[44] to the 30th of June, 1873; further by the law of the 30th of June, 1873,[45] to the 31st of December, 1874; and, finally, by the law of the 21st of December, 1874[46] (art. 1), to the 31st of December, 1875. The last-named law contained still further provisions. The above-mentioned article 18 of the coinage law of the 9th of July, 1873, had already stipulated that all bank notes which were not made out in the imperial standard were to be withdrawn before the 1st of January, 1876, and that after that date only such bank notes were to remain in circulation, or were to be issued, which were of not less than 100-mark denomination in the imperial standard. This provision was extended also to notes issued by corporations. For the execution and partial

improvement of these provisions, a gradual withdrawal of notes of small denominations was ordered by the law of the 21st of December, 1874, prohibiting the issue of bank notes not exceeding 50 marks after the 1st of July, 1875. The banks were also required to inform the Imperial Chancellor not later than the 30th of June, 1875, whether they had taken all necessary steps for the proper withdrawal of such of their notes as did not correspond to the provision of section 18. Furthermore, they were to publish monthly reports concerning the circulating notes, the notes in the banks as well as those destroyed after redemption.[47] With these measures the preliminary preparations for the Bank Act were concluded. The bill for such a law was drawn up in the Imperial Chancellor's office and published in July, 1874. Disregarding the formation of a Reichsbank (central note bank), this bill aimed at a gradual establishment of a rational form of note banking, solely by subjecting the existing note banks to a complex system of standard statutes (*Normalstatuten*). It also recommended an annual note tax of 1 per cent on all uncovered notes, in addition to a duty of 4 per cent on all uncovered notes issued above a certain fixed amount. Although this scheme was keenly opposed in the press and in other public discussions on the subject, it was submitted to the Reichstag in almost unchanged form, together with the preamble, on the 5th of November, 1874.[48] But the discussions held from the eleventh to the thirteenth meetings (from the 16th to the 18th of November)[49] compelled recognition of the general desire for the Reichsbank as an institution to be established

in the public interest. The commission to which the matter was referred adjourned, claiming that there was no necessity of deciding about the Bank Act before a conclusion had been reached concerning the formation of a Reichsbank. Discussions were not resumed until, upon the suggestion of the federated governments, one of the members of the commission formally proposed the revised bill for the Bank Act, which was finally accepted with some changes. After the presentation of a comprehensive report by the commission,[50] the full assembly discussed the bill at the second reading,[51] from the fifty-second to the fifty-fifth meetings (from the 25th to the 28th of January, 1875), modified it in some particulars, and accepted it with an important majority [52] on the 30th of January, at the fifty-seventh (final) meeting of the session. The bill was then published as the "Bank Act of the 14th of March, 1875." [53]

This act rested on a compromise of the central-bank system with the system of a plurality of banks, which latter had its root in the existing conditions. First of all, it purported to create for a number of years a transitional stage, freed from the most pressing evils, in order that ultimately experience should lead to the adoption of an adequate uniform system. New note privileges could be granted only by imperial legislation (sec. 1). The Reichsbank appears, though in a limited sense, as the central note bank of Germany. The economic and political position on which its special rights and duties rest [54] is shown not only in the classification of its public duties (Bank Act, sec. 12), but also in the close connection indicated by

its name with the institutions of the Empire. Its management must not be governed solely, or even chiefly, by considerations of gain. Therefore, in order that the public welfare should be safeguarded, it must be subject to the "supervision and direction of the Empire." Since the Reichsbank protects the monetary standard of the Empire, its circulating medium (imperial coins and imperial treasury notes) is supplemented by the elastic device of bank notes. Thus, owing to its capital and the network of branches acquired from the Bank of Prussia in virtue of the authority given to it by the Bank Act (sec. 61),[55] which secured the immediate support of the whole Empire,[56] the Reichsbank forms, especially in bad times, the stronghold for the credit of the country. It aids the whole system of exchange, not only by the purchase of short-time bills and other paper, but also by its collection, deposit and disbursement business, and chiefly by its enormously developed giro transactions (*Giroverkehr*).[57] Because of the limitation of uncovered notes, this latter branch of business was especially profitable to the Reichsbank in affording it the extensive means necessary for the fulfillment of its legal functions. In fixing its discount rate the bank takes into consideration, on the one hand, the relations of the money market, from whose effects it can never free itself; but, on the other hand, this rate is not without its influence on the price of money, because the other money institutions generally follow it. In its rôle of a central money custodian, a significant one for the economic life of the Empire, the Reichsbank stands distinctly apart not only from ordinary banks but also from the

"private note-issuing banks."[58] Under this latter name the law allowed the other note banks to exist provisionally along with the Reichsbank. The use of their notes for payments, as well as the carrying on of banking business outside the State chartering them, are subject, however, to certain limitations which, in the main, apply also to the Reichsbank, both with regard to the right of note issue and to the other forms of business. The "private note-issuing banks" are, furthermore, subject to the supervision of the Imperial Chancellor. Twenty-seven of the thirty-two private note banks have gradually lost their right of issue either by relinquishment or because of the expiration of the fixed period; the others, except one (the Brunswick Bank), have submitted to these limitations.[59]

Of the provisions of the Bank Act applying to all note banks, those concerning the following should be mentioned: the exclusion of forced currency and the denomination of bank notes (secs. 2 and 3); the redemption and acceptance of notes in payment (sec. 4); compensation for damaged notes (ibid.); prohibition of the reissue of damaged or soiled notes (sec. 5); the issue and withdrawal of notes (sec. 6); prohibition of certain transactions (sec. 7); and the obligation to issue required publications (sec. 8). The note business is, furthermore, subject to another important limitation, i. e., to the imposition of a note tax (secs. 9 and 10). In order to avert an excessive increase of note circulation the law has, in the interest of the gold standard, as well as on other economic grounds, adpoted the system of the so-called indirect limitation (*indirekte Kontingentierung*) of bank notes. A certain amount of

notes not covered by bullion was apportioned to each bank. In this apportionment the future note circulation was greatly underestimated (by about 1 billion marks). For the notes above the quota the banks have to pay to the imperial treasury a tax of 5 per cent per annum for the time in which the tax-free limit has been exceeded. The Reichsbank's share of uncovered notes has long been regarded as insufficient, even though the notes procured by the Reichsbank through the relinquishment of the right of issue by other banks raised this share by January, 1894, to 293,400,000 marks. Notwithstanding the increase of capital of the Reichsbank which is due to its greatly developed giro business, by frequently exceeding the tax limit, the bank, instead of making money dearer by raising the discount rate, has worked without gain and even at a loss.[60]

The exercise of the right of issue by the Reichsbank and by the note banks which made themselves subject to the limitations of the act is also conditioned by the so-called "reserve of one-third" (*Dritteldeckung*) (secs. 17 and 44, par. 3; sec. 50, par. 1).[61] The redemption of notes of these banks is guaranteed by special regulations, as well as by the general provision of section 4 (secs. 18 and 44, par. 4; sec. 50, par. 3). Each note bank is also required to exchange its notes for those of other note banks (secs. 19 and 44, par. 5).[62] All these banks, moreover, are restricted in their negotiations, since they may transact only legally specified business (secs. 13 and 44, par. 1), and must accumulate a reserve fund amounting to one-fourth of the capital (secs. 24, par. 2, and 44, par. 2).

The 1st of January, 1891, was fixed in various provisions as the date when the uniform note-bank system, as well as the Reichsbank and the private note banks, could be discontinued (secs. 41 and 44, par. 7).

In spite of a lively agitation, no real change was instituted at that time. The imperial administration limited itself to the introduction of a bill, suggesting that the share of profits of the Empire in the Reichsbank should be somewhat increased.[63] This bill was passed after a lively debate [64] in the Reichstag. No further change was made, "because it was considered advisable—at least during the first period—to maintain the present organization of the Reichsbank, which could boast of its many favorable experiences, and to leave it as a bank with private capital, but under the management and direction of the Empire." The change of section 24 of the Bank Act, which was made in this bill after it had been accepted at a special meeting of the stockholders of the Reichsbank, was published as a law on the 18th of December, 1889.[65] In this law the Reichstag agreed to an extension of the privilege of the Reichsbank for another period of ten years. (See sec. 41, par. 3.) As little use of the right of recall was made by the Empire in regard to the "private banks," which were also allowed to retain their privileges for a new term of ten years, while the privileges of only a few of the insignificant (Prussian) note banks lapsed according to the provisions of their statutes.

More positive were the changes at the expiration of the second ten-year period. As early as the year 1899, in January—that is, almost two years before the expiration of this period—a bill concerning the changes of the Bank

Act of the 14th of March, 1875,[66] was placed before the Reichstag. This bill contained various, and not unimportant, provisions suggested by business experiences. The preamble argued that the organization of the Reichsbank had indeed fulfilled its task perfectly, and that it would be inexpedient to change radically the fundamental provisions of the Bank Act, both for the Reichsbank and for the "private-note banks." But, taking into consideration the progressive development of German economic conditions, it urged the advisability of an increase in the capital of the Reichsbank to an amount which would enable it to satisfy the greatly augmented demands of business in the future. For this purpose the bill recommended an increase of 30,000,000 marks as well as a gradual increase of the reserve fund to 60,000,000 marks, at the same time pointing a warning against the overestimation of the effect of this regulation. The bill further proposed to increase the tax-free note limit to 400,000,000 marks, because of the frequent excesses over the present limit due to the increased need for media of exchange. To guard against unfavorable experiences, the bill also sought to secure a uniform discount policy by exacting that the rate of discount of the "private-note banks" should not be lower than that of the Reichsbank. It strove also to increase the share of the Empire in the business earnings of the Reichsbank, as well as to extend the capacity of the latter for making loans on pledges, and to regulate the relation of the Reichsbank to the notes of the Prussian banks still in circulation. Various efforts were made in the Reichstag to change the Bank

Act,[67] especially the provisions relating to the organization of the Reichsbank, in a much more decisive way. Another attempt was made to turn the Reichsbank into a pure state bank and to exclude private capital. Some proposed that such a change should be brought about gradually by letting the Empire acquire the new bank shares or by fixing a moderate maximum dividend. These efforts met with unanimous opposition on the part of the state governments as well as on the part of a great majority in the Reichstag. Various other plans proceeding from fundamentally different points of view proved not more successful. They aimed at a far greater immediate increase of capital; at the removal or limitation of the tax-free note regulation; at an important reduction of dividends on the capital of the bank; at the legal prohibition of the "private discount" of the Reichsbank; and either at the extended freedom of the "private-note banks" or at their complete discontinuation. After a thorough discussion of well-nigh all questions of bank legislation and bank policy, the government bill, containing certain concessions to all the divergent views, was accepted. Thus it was decided that by the 31st of December, 1905, the sum of 30,000,000 marks be added to the capital, making a total of 180,000,000 marks; that the share of the Reichsbank in the total amount of tax-free note circulation be increased by 50,000,000 marks, thus making 450,000,000 marks, and that after the payment of dividends at the rate of 3½ per cent, and the endowment of the reserve fund, the distribution of the surplus net profit of the bank should begin immediately at the proportion of 3 to 1.

The original bill proposed that the surplus profit be divided equally between the Empire and the stockholders until a dividend of 5 per cent has been reached and that thereafter three-fourths should go to the imperial treasury and one-fourth to the stockholders. After a long struggle fostered by particular interests, the private discount rate of the Reichsbank was maintained alongside of its official discount rate, and as long as the latter did not fall below 4 per cent the private note banks were bound to the official rate of the Reichsbank. In other cases, however, they were allowed a maximum limit of reduction of one-fourth of 1 per cent below the official rate and of one-eighth of 1 per cent below the private rate. In this form the bill was published on the 7th of June, 1899, as the "Law Concerning the Change of the Bank Act of the 14th of March, 1875," after it had been accepted at the special meeting of the bank stockholders on the 18th of May, 1899. The principles of our note-bank constitution were thereby secured for another period of ten years in a somewhat extended form. These principles would have been seriously endangered had their opponents, who agree with the opponents of our legal monetary standard, been as influential as they were vigorous in their agitation in the press, in clubs, and in parliaments; and, although casual objections are being raised even now, the bank constitution is too well adapted to need any real change.

The report issued on the occasion of the twenty-fifth anniversary of the Reichsbank by its board of directors contains a record of the activity of the former during the first twenty-five years.[68]

The report of the management of the Reichsbank for 1904 shows an increase from 36,700,000,000 in 1876 to 221,600,000,000 in 1904 in the total transactions of the Bank. The giro business alone, in which the imperial and state treasuries participate to a large extent, rose to 195,500,000,000 marks in 1904. The bills purchased in 1904 amounted to over 8,500,000,000 marks. The bank-note circulation reached in the same year an average of 1,288,500,000 marks; the metal stock, including 682,200,000 in gold, an average of 926,666,000. The difference between the highest and the lowest amount of uncovered notes reached 663,800,000 marks. These figures, as well as the increase of bank offices from 201, at the beginning of the year 1876, to 415 on the 1st of January, 1905, show the invaluable services rendered by the Reichsbank to German commerce, explaining at the same time the fact of the higher discount rate prevailing in Germany as a result of its enormous and earliest industrial development.[69] No one can deny that, as regards the securing of a safe and uniform bank-note system, we are making rapid progress, thanks to our Bank Act.

Further development will show to what extent the still-existing private note banks will have to limit their sphere of operations. Should this limitation not take place, there would still be no adequate reasons for renouncing the complete unity of the German bank-note system which was provided for in the Bank Act of 1875.

The monetary system produced by the foregoing reform laws, though not an ideal one, is perfectly sound, and is substantially different from the one which existed

not more than three decades ago—so much so that the recollection and proper understanding of the conditions of that period are beginning to disappear. We must bear in mind that the progressive development of checks and book-account transfers (in giro business), which took place under the Reichsbank, precludes a too excessive increase of circulating medium which would imperil national prosperity. For the last twenty years an important advance has been made by the Reichsbank in this direction by the establishment of clearing houses. The weekly records of the Reichsbank, published in the monthly reports, show the steady progress which is being made these last years owing to the methods of clearings, whereby enormous amounts of money obligations are discharged without a pfennig of coin and without bank notes or paper money—simply by balancing accounts and transferring the balance to the Reichsbank giro account.[70]

Thus has our monetary system approached perfection from all sides. Divergent as the views may be in regard to future reforms, they all coincide in one point, namely, that there is no need of retrogression.

NOTES TO THE INTRODUCTION OF DOCTOR KOCH.

1. Cf. the preamble of a bill concerning the coinage of imperial gold coins; publications of the Reichstag, No. 50. (Stenographic Report I, session of 1871, vol. 2, p. 123.) Besides these coinage systems there is also the Hamburg Bank standard.

2. Cf. report in publication of the Reichstag, No. 73. (Stenographic Report, session of 1870, vol. 3, p. 303.)

3. Cf. the review in proposition 1 of the preamble of the bill concerning the issue of imperial treasury notes; publications of the Reichstag, No. 70. (Stenographic Report II, Legislative Period I, session of 1874, vol. 3, p. 265.)

4. For example, the certificates of the Leipzig-Dresden Railroad Company and of the city of Hanover. (According to Adolph Wagner, "Zettelbank-Politik," p. 725, they amounted to about 1,770,000 marks in the years 1870–1873.)

5. Cf. bank ordinance of the 5th of October, 1846 ("Gesetz-Sammlung für den Preussischen Staat," p. 435); Treaty of the 28th–31st January, 1856, and the law of the 7th of May, 1856.

6. Cf. the law of the 14th of May, 1855 ("Gesetz-Sammlung für den Preussischen Staat," p. 308), the 25th of May, 1857 (ibid., p. 440), and the 22d of April, 1869 (ibid., p. 561), all with reference to foreign paper money.

7. Cf. Soetbeer, "Deutsche Bankverfassung" (1875), p. 4: Thorwart, "Die Entwicklung des Banknotenumlaufs in Deutschland," v. 1851–1880, in Conrad's "Jahrbücher für National-Öconomie," vol. 41, pp. 193 ff.

8. Cf. review in Soetbeer, p. 2*a*.

9. Cf. ibid., p. 5.

10. Cf. "Bundes-Gesetzblatt," p. 1.

11. Cf. "Bundes-Gesetzblatt," 1870, pp. 627, 650, 654; 1871, p. 9.

12. Cf. "Bundes-Gesetzblatt," p. 63.

13. Cf. "Bundes-Gesetzblatt," p. 51. In the North German Confederation the law went into operation on the 29th of March, 1870 (sec. 6). It was declared an Imperial Law by article 80, section 1, of the constitution of the German Confederation, and by section 2 of the law of the 16th of April, 1871 ("Bundes-Gesetzblatt," p. 63), and went into operation in Baden, South-Hesse, Württemberg, and Bavaria on the 1st of January, 1872, according to their agreement and the law of the 22d of April, 1871 ("Bundes-Gesetzblatt," p. 87). The law was not introduced in Alsace-Lorraine, where the Bank of Prussia had already suspended operations in the summer of 1871. (See law of the 4th of July, 1871.)

14. Cf. section 1, paragraph 1, of the Bank Act of the 14th of March, 1875.

15. Cf. ibid., sections 47 and 40, No. 1.

16. Cf. ibid., sections 44, No. 7; 46, paragraph 1.

17. "Bundes-Gesetzblatt," p. 507. The law went into operation in the North German Confederation on the 19th of August, 1870, and was later proclaimed as a Federal Law, as was also the law of the 27th of March, 1870. In Baden and South-Hesse, however, it went into effect on the 1st of January, 1871, and in Württemberg and Bavaria on the 1st of January, 1872. The suggested temporary limitation of the law was rejected, thus varying in this respect from the bank-note law of the 27th of March, 1870. The limitation was to terminate "after the legal establishment of the principles concerning the issue of paper money (art. 4, No. 3, of the Federal Constitution)."

18. "Gesetz-Sammlung für den Preussischen Staat," 1867, p. 1801. The administration accepted only a conditional responsibility for the redemption of the Austrian Vereinstaler (union thaler).

19. Cf. Soetbeer, "Deutsche Müntzverfassung," 1874, p. 9.

20. The first discussion took place at the nineteenth and twentieth meetings of the Reichstag, on the 11th and 13th of November, 1871; the second at the twenty-third and twenty-fourth meetings, on the 17th and 18th of November; the third and final discussion at the twenty-sixth and twenty-eighth meetings, on the 21st and 23d of November. (Stenographic Report I, Legislative Period II, second session of 1871, Vol. I, pp. 226 ff, 251 ff, 317 ff, 341 ff, 418 ff, 453 ff.)

21. "Reichsgesetzblatt," p. 404. The law was introduced in Alsace-Lorraine by the law of the 15th of November, 1874 (ibid., p. 131).

22. Cf. Soetbeer, opus cit., pp. 1 ff; Helfferich, "Reform des deutschen Geldwesens," Leipzig, 1898, Vol. I, pp. 156 ff. With respect to the testing and the stamping of gold coins, see section 12 of the Ordinance of the 27th of December, 1884. The extreme limits of the deviations to be permitted in public exchange are defined in the proclamation of the Imperial Chancellor of the 27th of July, 1875, section 1. ("Reichsgesetzblatt," p. 263.)

23. The first discussion took place at the tenth and eleventh meetings, on the 28th and 29th of March, 1873; the second, at the seventeenth, twentieth, and twenty-first, on the 22d, 25th, and 26th of April; the third at the twenty-eighth, twenty-ninth, and fifty-ninth meetings, on the 6th of May, the 8th and the 23d of June, 1873. (Stenographic Report I, Legislative Period IV, session of 1873, Vol. I, pp. 117 ff, 316 ff, 343 ff, 521 ff, 557 ff; Vol. II, pp. 1352 ff.)

24. "Reichsgesetzblatt," p. 233. The law was also introduced in Alsace-Lorraine. Cf. Soetbeer, opus cited, pp. 67 ff.

25. Official Document No. 15 in the Stenographic Report of the Reichstag, Vol. III, pp. 70 ff.

26. "Reichsgesetzblatt," p. 67.

27. Cf. note 31 below.

28. "Reichsgesetzblatt," p. 35. Cf. note 18 above. The question as to how these coins were to be finally excluded from German circulation was

left open at that time. Cf. Stenographic Report of the Reichstag, pp. 757 ff; Soetbeer, opus cit., pp. 174 ff; Helfferich, "Die Folgen des Deutsch-Österreichischen Münzvereins von 1857," Strassburg, 1894, pp. 53 ff.

29. "Reichsgesetzblatt," p. 1013.

30. "Reichsgesetzblatt," p. 3.

31. "Reichsgesetzblatt," p. 250. Bill No. 403, publications of the Reichstag, 10; Legislative Period I, session 1898–1900. The first discussion took place at the one hundred and fifteenth meeting, on the 4th of December, 1899; the second at the one hundred and sixty-fifth meeting, on the 12th of March, 1900; the third discussion, at the two hundred and first meeting, on the 20th of May, 1900. (Stenographic Report, pp. 3201 ff, 4608 ff, 8733 ff.)

32. At the ratio of 3 marks to 1 thaler, and at the rate of 80 marks per kilogram of silver, there was a difference of about 13 pfennigs on the two kinds of coins.

33. Cf. Helfferich, "Der Abschluss der deutschen Münzreform," Berlin, 1899. The vote of the Reichstag at the third reading decided, however, to table the question of the standard. (Cf. Stenographic Report, pp. 5743 ff.)

34. Bill. See No. 280, publications of the Reichstag, session 1903 and 1904.

35. Resolution No. 10 for the "Übersicht der Reichsausgaben und -einnahmen für das Rechnungsjahr 1902."

36. In the first edition of the "Reichsanzeiger" of the 11th of January, 1905, No. 9.

37. This sum has not been altered since the middle of March, 1878.

38. Cf. Nasse in "Preussisches Jahrbuch," vol. 63, pp. 512 ff.

39. "Reichsgesetzblatt," p. 40. The first discussion in the Reichstag took place at the twenty-fourth meeting, on the 26th of March; the second, at the twenty-sixth and thirty-fifth meetings, on the 28th of March and the 18th of April; the third, at the thirty-eighth meeting on the 2d of April, 1874. (Stenographic Report II, session of 1874, Vol. I, pp. 597 ff; Vol. II, pp. 923 and 1026 ff.)

40. The law of the 11th of November, 1871. ("Reichsgesetzblatt," p. 409.)

41. Report of the Imperial Debt Commission of the 16th of May, 1893, IX, Legislative Period I, session of 1893, publication No. 16.

42. "Reichsgesetzblatt," p. 172.

43. "Reichsgesetzblatt," p. 165.

44. "Reichsgesetzblatt," p. 169.

45. "Reichsgesetzblatt," p. 159.

46. "Reichsgesetzblatt," p. 193.

47. This last provision is still binding. The complete exclusion of smaller notes, in contrast to those of other large state note banks, is perhaps capable of modification in the interests of the gold stock of the Reichsbank without injury to our metallic standard.

48. Document No. 27. (Stenographic Report cited, Vol. III, p. 648.)

49. Stenographic Report II; Legislative Period II, session of 1874, Vol. I, pp. 149 ff, 175 ff, 203 ff.

50. Document No. 195. (Stenographic Report cited, Vol. IV, pp. 1147 ff.)

51. Stenographic Report cited, Vol. II, pp. 1265 ff, 1291 ff, 1329 ff, 1364 ff.

52. Stenographic Report cited, pp. 1435 ff.

53. Reichsgesetzblatt, p. 177. For details concerning the history of the Bank Act, see Soetbeer, "Deutsche Bankverfassung," pp. 5 ff; W. Lotz, "Geschichte und Kritik des Deutschen Bankgesetzes," v. 14, Marz, 1875, Leipzig, 1888; Helfferich, "Reform des Deutschen Geldwesens," pp. 276 ff; "Die Reichsbank, 1876–1900," pp. 5 ff.

54. Its chief duty (sec. 12) lies in the management of the imperial treasury business (sec. 22) and the obligation to purchase gold bullion at a fixed price (sec. 14). It has the right to sell pledges (sec. 20) and the privilege of limited exemption from state taxation (sec. 21).

55. Cf. Prussian Law of the 27th of March, 1875, "Gesetz-Sammlung für den Preussischen Staat," p. 166; and the Treaty of the 17th and 18th of May, 1875, "Reichsgesetzblatt," p. 215; Statute of the Reichsbank of the 21st of May, 1875, "Reichsgesetzblatt," p. 203.

56. Owing to the Law of the 27th of March, 1875 (sec. 2), seven branches were established outside of Prussia as early as 1875. On the 1st of January, 1876, there followed three new local main offices and a large number of Reichsbank secondary offices.

57. The transactions in giro business amounted in the year 1876 to 16,711,245,214 marks; in the year 1904 to 194,563,000,000 marks. The deposits, including the fluctuating transfers, formed an average of 70,573,000 marks in 1876; and in 1904, after the addition of the accounts of the Empire and the larger states, the average was 534,789,000 marks; the number of giro clients was at the end of 1876, 3,245 and at the end of 1904, 21,221.

58. Like the former Bank of Prussia, the Reichsbank was founded on private capital, and it is being separated from the Imperial Treasury as a specific legal person. Yet in spite of its few similarities to a stock company, it is a public institution of the Empire, and is subject to a special law (cf. Bank Act, sec. 12, notes 31 and 34).

59. Cf. Bank Act, section 9, note 26; section 45, note 159.

60. In the discussion of the Bank Act this question was excluded (see Stenographic Report of the Reichstag, 1874–75, pp. 1270 ff). The system of indirect limitation of note issue had no decisive influence on the discount policy of the Reichsbank, because it is not only a question of the amount, but also of the nature of the demands for money (cf. K. Helfferich, "Das Deutsche System der Kontingentierung des Notenumlaufs," in G. Schanz, Finanz-Archiv XIII, pp. 28, 82 ff; Helfferich, "Zur Erneuerung des Deutschen Bankgesetzes," Leipzig, 1899, pp. 90 ff).

61. See below, notes 64 and 144.

62. The reissue of notes received in payment, in so far as they are not notes of the Reichsbank, is forbidden.

63. Cf. publications of the Reichstag, 1889–1890, No. 43.

64. The first discussion took place at the eleventh meeting, on the 8th of November, 1889 (Stenographic Report, pp. 291–293); the second, concerning the oral report of the VII Commission, at the twenty-sixth meeting on the 29th of November, 1889 (Stenographic Report, pp. 577–598), and at the twenty-seventh meeting on the 2d of December, 1889 (Stenographic Report, pp. 599–630); the third discussion at the thirty-first meeting on the 6th of December, 1889 (Stenographic Report, 713–730).

65. "Reichsgesetzblatt," p. 201 (cf. note 75 below).

66. No. 95 of the publications of the Reichstag, 10; Legislative Period I, session of 1898–99.

67. The first discussion took place at the twenty-seventh, twenty-eighth, and twenty-ninth meetings on the 7th, 8th, and 10th of November, 1899; the second at the seventy-third meeting on the 27th of April, 1899 the third at the seventy-fourth meeting on the 28th of April, 1899 (Stenographic Report, pp. 693 ff, 721 ff, 749 ff, 1965 ff, 1993 ff). Report of the VIII Commission, No. 209 of the publications.

68. See "Die Reichsbank," 1876–1900, Berlin, 1901. Commission publication by Gustav Fischer, Jena.

69. The average discount rate of the bank rose from 3.12 per cent in 1894 to 4.22 per cent in 1904. From the 19th of December, 1899, until the 12th of January, 1900, the discount rate was 7 per cent. In the neighboring countries, especially in France, the discount rate was lower because of the different economic conditions, and it is absurd to ascribe, as others frequently do, the French low rate to the so-called premium policy of the note banks.

70. The deliveries at the clearing houses amounted in the year 1884 to 12,130,196,000 marks; in the year 1904 to 32,635,273,000 marks.

BANK ACT OF MARCH 14, 1875.[1]

We, William, by the grace of God, German Emperor, King of Prussia, etc., ordain, in the name of the German Empire, and with the consent of the Bundesrat and the Reichstag, the following:

CHAPTER I.—*General provisions.*

SECTION 1. The right of issuing bank notes, as well as of increasing the note issue granted by this Act, can be acquired only by imperial law.[2]

All kinds of state paper money which a bank is allowed to issue in order to strengthen its capital are treated in this Act as bank notes.[3]

SEC. 2. No one is obliged to accept bank notes in payments which by law must be made in money; nor can the state treasuries be ordered by state law to receive bank notes in payment.[4]

SEC. 3. Bank notes may be issued only in denominations of 100, 200, 500, and 1,000 marks, or in a multiple of 1,000 marks.[5]

SEC. 4. Each bank is obliged to redeem its notes at full face value on presentation; and to accept them at any time at full face value in payment, not only at their main, but also at their branch offices.[6]

Banks must redeem damaged notes, if the bearer presents the greater half of the note or if he issues proof

that the rest of the note of which he holds only the half or a smaller part than the half is destroyed.[7]

Banks are not obliged to redeem destroyed or lost notes.[8]

SEC. 5. Bank notes which are returned to the office of the bank, to one of its branch institutions, or to one of its established redemption offices in a damaged or soiled condition are not to be reissued.[9]

SEC. 6. The notes of a bank, or a series of bank notes, may be recalled and withdrawn only upon the order or the consent of the Bundesrat.

The Bundesrat may order the recall and withdrawal, if the greater part of the notes in circulation is in a damaged or soiled condition, or if the bank has lost the privilege of issue. It may give its consent to such recall and withdrawal only when it is proved that counterfeits of the outstanding notes are in circulation.[10]

In all cases the Bundesrat is to prescribe the manner, the number, and the duration of the advertisements of the notice of recall. It is also to determine the period within which, and the places where, the notes shall be redeemed; the measures by which the recalled notes are still to be redeemed after termination of the interval allowed for redemption; and all other regulations necessary for the security of the holders of the notes.

The regulations to be prescribed by the Bundesrat for these purposes are to be published in the "Reichsgesetzblatt."[11]

SEC. 7. Note-issuing banks are prohibited from taking part in the following transactions:

First. Accepting bills of exchange.

Second. Buying or selling, on time, merchandise or negotiable paper for their own account or another person's, or assuming the responsibility for such buying or selling.[12]

SEC. 8. Note-issuing banks have to publish in the Reichsanzeiger at their own expense:

First. A statement of assets and liabilities on the 7th, 15th, 23d, and the last day of every month, not later than on the fifth day after these dates.[13]

Second. The balance of their assets and liabilities, as well as the annual accounts of profits and deficits. These are to be published not later than three months after the close of the business year.

The weekly publication must present—

(*a*) As liabilities: the stock, the reserve fund, the amount of circulating notes, the daily maturing liabilities,[14] together with those for which notice must be given,[15] and other liabilities.[16]

(*b*) As assets: the metal stock (the stock of German currency and of gold in bullion or in foreign coins, the pound [a] fine calculated at 1,392 marks);[17] imperial treasury notes (*Reichskassenscheine*); notes of other banks; bills; loans on pledges (*Lombardforderungen*); securities;[18] other assets.[19]

The Bundesrat is to specify which categories of assets and liabilities are to be stated separately in the annual report.[20]

The obligations connected with the payment of domestic bills of exchange [21] must also be stated in both the weekly and the annual publications.

[a] The pound mentioned here is the German pound.

SEC. 9. Banks whose note circulation exceeds their cash and the amount allotted to them in proportion to their stock,[a] must after the 1st of January, 1876,[22] pay to the Imperial Treasury an annual tax of 5 per cent of the excess. All kinds of German currency money,[23] imperial treasury notes, notes of other German banks,[24] together with gold in bullion or foreign coin, the pound[b] fine calculated at 1,392 marks,[25] are considered as cash in determining the tax.

If a bank loses the privilege of issue (sec. 49), its share of uncovered tax-free notes is to be transferred to the Reichsbank.[26]

SEC. 10. For the purpose of determining the tax, the bank management has to ascertain the amount of cash and circulating notes of the bank on the 7th, 15th, 23d, and last day of each month,[27] and report to the controlling authority.[28] On the basis of these reports, calculating five forty-eighths of 1 per cent of the taxable excess of circulating notes as the tax to be imposed for the time recorded, the controlling authority shall fix at the end of each year the total tax which the bank has to pay to the Imperial Treasury not later than the 31st of January of the following year.[29]

SEC. 11. Foreign bank notes or other noninterest-bearing bonds of foreign corporations, associations, or private individuals, which are payable to bearer and issued, either exclusively or together with another valuation, in the standard of the Empire or a German State, are not to be circulated within the German Empire.[30]

[a] See p. 91. [b] The pound mentioned here is the German pound.

CHAPTER II.—*The Reichsbank.*[31]

SEC. 12. The name "Reichsbank" is given to a bank which is subject to the supervision [32] and direction [33] of the Empire, and which possesses the right of a legal person.[34] Its duty is to regulate the monetary circulation of the whole Empire, to facilitate payments,[35] and to utilize available capital.

The main office of the Reichsbank is to be located in Berlin. It is authorized to establish branch offices in all parts of the Empire.[36]

The Bundesrat may order the establishment of such branch offices in certain places.[37]

SEC. 13. The Reichsbank may carry on the following transactions:[38]

1. To buy and sell gold and silver in bullion and coin.[39]

2. To buy, sell, and discount bills which mature within a maximum period of three months [40] and which are indorsed by three, and in exceptional cases by two, persons who are known to be solvent; also, bonds of the Empire, of a German State, or of domestic municipal corporations,[41] which become due at their nominal value within the same maximum period of three months.[42]

3. To make interest-bearing loans for not longer than three months (*Lombardverkehr*) [43] on the following movable pledges:

(*a*) Gold and silver coined and uncoined.[44]

(*b*) Interest-bearing bonds of the Empire, of a German State,[45] or of a domestic municipal corporation which are payable to bearer and which mature not later than within three months; interest-bearing bonds payable to bearer,

the interest of which is guaranteed by the Empire or by a Federal State; fully paid-up original and preferred shares and preferred bonds of German railroad companies whose roads are engaged in active business.[46] The bank may also lend on mortgages of provincial, municipal, or other German credit institutions[47] which are under the control of the State, and on stocks of German mortgage banks to the amount of three-fourths of their exchange value. To these are to be added the bonds of the latter institutions and banks, which are payable to bearer and which are issued on the basis of loans granted to a domestic municipal corporation or which are guaranteed by such a corporation.[48]

(*c*) Interest-bearing bonds of foreign states which are payable to bearer, as well as state-guaranteed foreign railroad preferred bonds, to the amount of 50 per cent of their exchange value.[49]

(*d*) Bills guaranteed by persons known to be solvent at a discount of at least 5 per cent from their market value.

(*e*) Merchandise stored in the country to the amount of two-thirds of its value.

4. To buy and sell bonds of the kinds classified in *3b*.[50] The business instructions for the board of directors of the Reichsbank (sec. 26)[51] will determine the proportion of the bank's capital which may be invested in such bonds.

5. To procure payments for private individuals, officials, and institutions, as well as to make repayments of deposits, and to issue checks or drafts on its branch offices and correspondents.

6. To buy all kinds of securities and noble metals for other persons, if a reserve against such purchases has been

previously deposited, and to sell them after they have been delivered to the Reichsbank.[52]

7. To accept interest and noninterest-bearing money in the deposit and book-account transfer transactions (*Giroverkehr*); the amount of the interest-bearing deposits[53] must not exceed the capital and reserve fund of the bank.

8. To accept valuable goods for safe-keeping.[54]

SEC. 14. The Reichsbank is required to exchange its notes for gold bullion at the fixed rate of 1,392 marks for the pound fine.[55]

The bank has the privilege of having such gold tested and analyzed by its experts at the expense of the person presenting it.[56]

SEC. 15. The Reichsbank is to publish from time to time the rates at which it discounts (sec. 13, 2) and those at which it makes interest-bearing loans (sec. 13, 3).[57] The weekly accounts are to be drawn up according to the books of the Reichsbank board of directors, and those of the branch institutions which are directly subordinate to the latter.[58]

SEC. 16. The Reichsbank has the right to issue[59] bank notes to meet all its business contingencies.[60] The preparation and issue,[61] as well as the withdrawal and destruction, of these notes are to be entrusted to the imperial debt commission.[62]

SEC. 17. The Reichsbank must keep in its vaults a reserve against its circulating notes,[63] of which at least one-third shall be secured in money of German currency, imperial treasury notes, gold in bullion or in foreign coins, the pound fine calculated at 1,392 marks,[64] and the balance

in discounted bills which mature not later than within three months and which are indorsed by three, and in exceptional cases by two, persons who are known to be solvent.

SEC. 18. The Reichsbank is required to redeem its notes to bearer in German currency: [65]

(*a*) At the main office in Berlin, and

(*b*) At its branch offices as far as the cash and money exigencies of the latter permit.[66]

SEC. 19. The Reichsbank is required to accept at full face value the notes of those banks which are announced by the Imperial Chancellor, according to section 45 of this Act, not only in its main office in Berlin, but also in its branch offices either in cities of more than 80,000 inhabitants[67] or in the city where the bank which has issued the notes is located,[68] as long as the issuing bank punctually fulfills its duty of note redemption. The bank notes accepted in this manner may be presented either for redemption or as payments to the same bank which issued them, as well as payments in the city where the latter has its principal office.

The Reichsbank is empowered to make arrangements with other German banks concerning the relinquishment by the latter of their right of issue.[69]

SEC. 20. If a pledge (sec. 13, 3) is in arrears, the Reichsbank has the right to sell it publicly through one of its officials or through one of the authorized auctioneers, without judicial proceedings or cooperation. If the pledge has a fixed price on the exchange or in the market, it may be sold privately through one of its officials or through a com-

mercial broker. In the absence of such a person it may be sold at the current price through an official auctioneer. From the sale the Reichsbank is to compensate itself for its capital, interests, and costs. The bank retains this right even when there are other creditors, as well as in case of the bankruptcy of the pledger.[70]

SEC. 21. The Reichsbank and its branch offices are exempt from income and property taxes levied by the States throughout the Empire.[71]

SEC. 22. The Reichsbank is required to accept payments for the account of the Empire and to make disbursements, according to the amount of the imperial deposit, without compensation.[72] It has also the right to assume this responsibility for the Federal States.[73]

SEC. 23. The capital of the Reichsbank is to consist of 180,000,000 marks, comprising 40,000 shares of 3,000 marks each and 60,000 shares of 1,000 marks each.[74] Of the latter, 30,000 shares are to be sold by the 31st of December, 1900, and 30,000 shares by the 31st of December, 1905. The provision of section 38 of the law of the 22d of June, 1896, does not apply to this sale.

The shares are to be registered in the names of the owners.

The shareholders are not personally responsible for the liabilities of the Reichsbank.[75]

SEC. 24. The net annual profit of the Reichsbank is to be divided at the close of each year in the following manner:

1. In the first place, a regular dividend of 3½ per cent of the capital is to be distributed among the shareholders.

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2. Twenty per cent of the remainder is to be transferred to the reserve fund, if the latter has not reached the amount of 60,000,000 marks.

3. Of the balance which still remains one-fourth is to be allotted to the shareholders and three-fourths to the Imperial Treasury.

If the net earnings are less than 3½ per cent of the capital, the difference is to be made up from the reserve fund. The premium gained on the sale of Reichsbank shares is to be added to the reserve fund.[76]

Back dividends having a four-year standing after maturity are canceled in favor of the bank.[77]

SEC. 25. The Empire is to exercise its supervision over the Reichsbank through a board of trustees (*Bank-Kuratorium*), consisting of the Imperial Chancellor, as chairman, and four members. One of these members is to be appointed by the Emperor,[78] the other three by the Bundesrat.

The board of trustees is to meet four times a year. At these meetings reports are to be presented concerning the condition of the Bank, and a general account is to be rendered of all the business operations of the Bank.

SEC. 26. The Empire is to direct the Bank through the Imperial Chancellor, and the subordinate Reichsbank board of directors. In case the Imperial Chancellor is prevented from exercising his duty, the latter is to be assumed by a deputy named for that purpose by the Emperor.[79]

The Imperial Chancellor is to direct the whole bank management according to the provisions of this Act and the statute to be enacted (sec. 40). He is to ordain the busi-

ness instructions for the Reichsbank board of directors and for the branch offices,[80] as well as the rules and instructions for the officials of the Bank; and he alone can authorize the necessary changes in the existing business regulations and instructions.

SEC. 27. The Reichsbank board of directors is the managing and executive authority, as well as the official representative, of the Reichsbank.

It is to consist of a president and the necessary number of members.[81] Its orders are to be sanctioned by a majority vote, and subjected to the instructions and directions of the Imperial Chancellor.

The president and the members of the Reichsbank board of directors are appointed for life by the Emperor, on the nomination of the Bundesrat.

SEC. 28. The officials of the Reichsbank have the rights and duties of imperial functionaries.[82]

The salaries, pensions, and other remuneration for service, as well as the pensions of the surviving heirs of the officials, are to be paid by the Reichsbank. The salaries and pensions of the Reichsbank board of directors are to be fixed annually in the Imperial Budget;[83] the salaries of the other officials are fixed annually by the Emperor, in conjunction with the Bundesrat, on the recommendation of the Imperial Chancellor.[84]

No official of the Reichsbank may hold shares of the same.

SEC. 29. The accounts of the Reichsbank are to be audited by the court of accounts of the German Empire.[85]

The form in which the annual report is to be made out is to be prescribed by the Imperial Chancellor, whose directions are to be communicated to the court of accounts.[86]

SEC. 30. The stockholders are to take part in the management of the Reichsbank through their general meetings;[87] also through a standing central committee elected[88] from among their members according to the following provisions:

SEC. 31. The central committee is to be the permanent representative of the stockholders in connection with the management. It must consist of fifteen members, together with whom fifteen deputies are elected. The members and the deputies are to be elected by the stockholders at a general meeting from among those whose registered shares amount to 9,000 marks minimum. All the members and deputies must have their domicile in the German Empire, and at least nine members and nine deputies in Berlin. One-third of the members are to resign every year, but remain eligible for reelection.[89]

Meetings of the central committee must take place at least once a month, and shall be presided over by the president of the Reichsbank board of directors; extraordinary sessions may be called by the latter at any time. The quorum is to consist of at least seven members. The rules and instructions shall determine in what cases and in what order the deputies must be called.[90]

SEC. 32. A report is to be made each month to the central committee regarding the following weekly items:[91] the discounts; the bill and loan transactions; the note circulation; the cash on hand; the deposits; the sale and

purchase of gold and bills; the distribution of the funds among the branch institutions; the results of the ordinary [92] and the extraordinary revisions of the accounts. The report is also to contain the opinions and suggestions of the Reichsbank board of directors concerning the general progress of business and the necessary regulations.

The suggestions of the central committee should receive special consideration in questions concerning the following:[93]

(*a*) The balance and the profit accounts which are to be drawn up at the close of the business year by the Reichsbank board of directors and which must be indorsed by the central committee before it is turned over to the Imperial Chancellor for final approval. These accounts are reported to the stockholders at their general meetings.[94]

(*b*) The changes in the salary and pension budget (sec. 28).

(*c*) The appointments to vacancies in the Reichsbank board of directors, with the exception of the office of president, before the Bundesrat has decided upon a successor (sec. 27).

(*d*) The maximum amount which the bank may use for loans on pledges (*Lombarddarlehen*).[95]

The bank may purchase securities for its own account only in amounts sanctioned by the central committee.[96]

(*e*) The discount rate and the loan interest rate,[97] as well as changes in the principles and the terms on which credit is to be given.

(*f*) Agreements with other German banks (sec. 19),[98] together with principles to be observed in the business

relations with those banks and which must be approved by the central committee.

General business directions and instructions are to be communicated to the central committee as soon as they are issued (sec. 26).

SEC. 33. The members of the central committee are to draw no salary.

If a member of the committee betrays a bank secret (sec. 39) divulged to him through his capacity as officer, or if he otherwise loses public confidence or imperils the interests of the institution, he may be dismissed from the committee by the general meeting of the stockholders.[99]

A bankrupt member of the committee, or one who has either not attended meetings for six months or has lost his eligibility through failure to comply with the above provisions (sec. 31), shall be deprived of his office.

SEC. 34. The permanent special control over the management of the Reichsbank is to lie in the hands of three members elected for the term of one year [100] by the central committee, which at the same time elects three deputies. The business instructions shall determine when and in what order the deputies are to be called.[101]

The elected supervisors may attend all sessions of the Reichsbank board of directors where they are privileged with an advisory voice.[102]

They are further authorized and required to study the course of business and to examine the books and portfolios of the bank during the ordinary business hours and in the presence of a member of the Reichsbank board of directors. They must also be present at the ordinary,

as well as the extraordinary, revisions of the accounts. Reports of their activity must be given at the monthly meetings of the central committee.

Should the situation anticipated in section 33, paragraph 2, arise, a supervisor may be dismissed by the central committee before the decision of the general meeting of the stockholders.

SEC. 35. Business may be carried on with the financial administration of the Empire or of a German State only so far as allowed by the provisions of this Act and of the bank statute.[103] In case of necessary deviations from the general business course of the bank all new plans must first be submitted to the supervisors,[104] and, at the suggestion of only one of them, must be referred to the central committee. The business must not be transacted if the consent of a majority of the quorum of the committee can not be secured.

SEC. 36. Besides the chief office of the bank, Reichsbank local main offices[a] are to be established in the larger cities,[105] designated by the Bundesrat. These offices are to be under the supervision of a board of at least two members and of a bank commissioner (*Bank-Kommissarius*) appointed by the Emperor.[106]

After the list of stockholders of each local main office of the Reichsbank has been closed, a district committee [107] is to be appointed by the Imperial Chancellor. Its members are to be selected from the lists of the stockholders living in the city where the local main office is located or

[a] In translating the expression "Reichsbankhauptstelle" the word local has been inserted that they may be clearly distinguished from the central main office, and they are called Reichsbank local main offices.—*Translator.*

in its immediate neighborhood,[108] which lists are made out by the bank commissioner and the central committee. The condition of the business of the local main office and the general regulations enacted by the central administration are reported to the committee at its monthly sessions. Plans which are suggested by the district committee but are not within the competence of the directors of the local main office are to be referred by this board to the Imperial Chancellor.[109]

The permanent special control over the business of the local main offices of the bank, according to the provisions of section 34, is to be exercised, in so far as it is possible without interference with the daily course of business, by two or three deputies chosen by the district committee from among its members.[110] If there is no district committee,[111] the deputies are appointed by the Imperial Chancellor, as indicated in paragraph 2.

SEC. 37. Other branch institutions may be established either by the Imperial Chancellor,[112] if they are to be directly subordinate to the Reichsbank board of directors,[113] or, if they are to be subordinate to another branch institution, by the Reichsbank board of directors.

SEC. 38. The Reichsbank is responsible in all cases, even where the law demands especial authorization, for the signature of the board of directors of the Reichsbank or of a Reichsbank local main office, whenever two members of the board of directors of the Reichsbank or of the local main office or two officials vested with the right of representation of the latter have affixed their signatures.[114]

The Imperial Chancellor is to determine and make special announcement under what conditions and in what

form the signatures of the local bank offices[115] are to constitute an obligation for the Reichsbank.[116]

All charges against the main and the subordinate local offices of the Reichsbank[117] regarding their conduct of business may be brought before the court of the place where the branch office is located.[118]

SEC. 39. All persons connected with the management of the Bank as officers, members of the committee, or deputies are pledged to silence concerning the business of the Bank and especially concerning its business with private persons and the amount of credit extended to the latter. The supervisors of the central committee and their deputies, as well as those of the local main offices, are to be pledged to secrecy by a formal handclasp in lieu of an oath before entering upon their duties.[119]

SEC. 40. The Statute of the Reichsbank is to be decreed by the Emperor, with the assent of the Bundesrat, according to the provisions contained in the foregoing sections 12 to 39.[120]

This Statute must contain special provisions on the following points:

1. The form of the certificate of stock of the Reichsbank and of the dividend coupon and talon (dividend warrant) attached to it.[121]

2. The rules to be observed in the transfer or mortgage of certificates of stock.[122]

3. The invalidation (*Mortifikation*) of lost or destroyed certificates of stock, as well as the proceedings with regard to lost dividend certificates and talons (dividend warrants).[123]

4. The rules to be followed in the preparation of the annual report of the Reichsbank.[124]

5. The terms and the methods of paying dividends.[125]

6. The form of notice for the general meeting of the stockholders, as well as all that relates to the exercise of the right of vote by the latter. This right, however, need not be conditioned by the possession of more than one certificate of stock, nor may one person have more than 300 votes. A share of 3,000 marks confers 3 votes; a share of 1,000 marks 1 vote.[126]

7. The method of electing the central committee with its deputies, and the district committees of the local main offices of the Reichsbank and their deputies.[127]

8. The forms to be observed in the announcements issued by the Bank, and the question of official newspapers[128] in which these are to be published.

9. The liquidation which may take place in case of revocation of the privilege of the Reichsbank (sec. 41).[129]

10. The method of securing the cooperation of the shareholders, or of their representatives, in effecting an increase of capital which may be determined by an imperial law.[130]

11. The provision for security to be demanded by the Bank, if it undertakes to buy or sell negotiable papers not for its own account.[131]

SEC. 41. The Empire reserves the right of option on January 1, 1891, and thereafter at the expiration of every ten-year period: (*a*) of discontinuing the Reichsbank established by this Act and acquiring its property on the basis of the book values, or (*b*) of acquiring the total

stock of the Reichsbank at valuation.[132] One year's notice is to be given, and preliminary announcement to be made,[133] by the Imperial Chancellor to the Reichsbank board of directors. The announcement is to be issued upon the imperial decree, with the approval of the Bundesrat, and is to be published by the Reichsbank board of directors.

In either case the reserve fund, in so far as it is not required to defray losses, is to be equally divided between the shareholders and the Empire.

The extension of the period designated in the first paragraph of this section can be granted only by the Reichstag.

CHAPTER III.—*Private note-issuing banks.*

SEC. 42. Banks which, in virtue of this Act,[135] are vested with the right of note issue are prohibited from carrying on banking business, either through branch offices or agents, or as partners in banking houses, outside of the State which has granted them this right.[136]

SEC. 43. The notes of a bank to which this Act gives the right of issue [137] may not be used for payment outside of the State which has granted this privilege.[138] Such notes, however, may be exchanged for other bank notes, paper money, or coins.

SEC. 44. The restrictions of section 43 do not apply to those banks which by the 1st of January, 1876, act in accordance with the following:

1. The bank may invest its capital only in such transactions which are designated in section 13, articles 1 to

4,[139] and, furthermore, only one-half of its capital and reserve fund may be used for investments named in article 4.[140]

The bank is to be allowed to bring its loans into conformity with the provisions of section 13, article 3,[141] until the 1st of January, 1877.

The discount and the interest rates of the bank are to be announced from time to time.[142]

2. From its annual net earnings above 4½ per cent the bank is to add at least 20 per cent to the reserve fund until the latter reaches one-fourth of the stock.[143]

3. The bank is obliged to keep a reserve of at least 33⅓ per cent of the total amount of its outstanding notes in German currency, imperial treasury notes, gold bullion, or foreign coins, the pound fine calculated at 1,392 marks; and the balance in discounted bills, which mature in three months, and which are indorsed by three, and in exceptional cases by two, persons known to be solvent.[144]

4. The bank must agree to redeem its notes to bearer in German currency, at its office, established in Berlin or Frankfort (Main), with the approval of the Bundesrat.

Notes must be redeemed before the close of the day following the day of presentation.[145]

5. The bank must also accept in payment at their full face value German bank notes which are permitted to circulate throughout the Empire; such notes, as long as the bank which has issued them punctually fulfills its duty of redemption, shall be redeemed at its main office or at its branch offices which are located in cities of more than 80,000 inhabitants.[146] The notes accepted by the bank,

except Reichsbank notes, may be used only in one of the following ways: for redemption, for making payments to the bank which issued them, or for making payments in the city where the latter bank has its principal office.[147]

6. The bank is to forego all claims which may eventually arise either against the granting of the privilege of the right of issue to other banks,[148] or against any act by which a German State cancels its obligation to accept bank notes in lieu of cash payments to the public treasury.[149]

7. The bank must consent to the revocation of its right of issue granted for the period indicated in section 41, when ordered by the state government or by the Bundesrat, and must forego all claims to compensation.[150] The bank must be given one year's notice.

The Bundesrat may revoke the right of issue only with a view of securing greater uniformity in the note-bank system, or else, when, in the opinion of the Bundesrat,[151] a note bank has not conformed to the provisions of this Act.

A bank which has complied with the requirements contained in the foregoing articles 1 to 7 may be allowed by the Bundesrat[152] to carry on banking business through branch institutions or agencies[153] outside the province indicated in section 42, at the request of the administration of the State in which this bank is located.[154]

Banks are not subject to the requirement stated under (2), if by January 1, 1876, they can prove that the amount of note issue granted to them in their statute or charter does not exceed the stock which they had on the

1st of January, 1874.[155] They also have the right of carrying on banking business throughout the Empire by means of branch offices or agents, and of circulating their notes throughout the Empire.[156] The Bundesrat, furthermore, reserves the right of extending to these banks the temporary and revocable privilege, and of establishing the proper regulations, of issuing certain loans which are excluded by provision (1), if the banks were accustomed to issue such loans and if the latter are demanded by business exigencies.[157]

SEC. 45. Banks which desire to avail themselves of the provisions in section 44 have to prove to the Imperial Chancellor—

1. That their statutes conform to the stipulations set forth in section 44.

2. That the necessary offices for the redemption of notes have been established.[158]

As soon as these proofs are presented, the Imperial Chancellor is to make public announcement in the "Reichsgesetzblatt,[159]" first, of the fact that the restrictions of sections 42 and 43, or of section 43 only, of this Act are not applicable to the designated bank; and, second, of the name of the city in which the notes of the bank are to be redeemed.

SEC. 46. If the right of issue granted by a State or by other public authority is subject to recall on notice, this recall may, in virtue of this Act, become operative at the earliest permissible date. This does not apply to those banks which have limited their note issue to the amount of their capital on the 1st of January, 1874, and have

complied with the provisions in section 44, under articles 1 and 3 to 7.[160]

Statutory provisions, by which the duration of the right of issue of a bank or of its authority is made dependent on the existence of the note-issuing privilege of the Bank of Prussia, are herewith made void.[161]

SEC. 47. Every change in the law, statute, or charter of a bank possessing the right of issue, in so far as the change may affect the capital, the reserve fund, the conditions of business, the reserve against the notes issued, or the duration of the right of issue,[162] must be approved by the Bundesrat. This provision does not exclude the regulations and concessions of the state laws which are not contained in the present Act, and by which a bank is subject to restrictions with regard to discount, loan, securities, and deposit transactions.

The consent of the Bundesrat is to be requested by the administration of the State in which the bank is located after the other legal requirements have been fulfilled, and it must be refused if the bank does not comply with the provisions of section 44.

The Bavarian Government is authorized to extend to the Bavarian Note Bank the right of increasing its notes to the maximum amount of 70,000,000 marks, or to grant this right to any other bank conforming to the provisions of section 44.[163]

SEC. 48. The Imperial Chancellor is authorized to ascertain at any time—if necessary, by having a committee examine the books, transactions, and the treasury of the note-issuing banks—whether these banks are observing the conditions and limitations of note issue established by

law or statute; whether they are fulfilling the stipulations of the law by which they are exempted from the regulations of sections 42 and 43, or of only section 43 of this Act,[164] and whether the weekly and annual reports published by them, as well as the records issued for the purpose of calculating the taxes (sec. 10), correspond with real facts.[165]

The right of the state governments to supervise the banks is not affected by this provision.

SEC. 49. A bank loses the right of issue:

1. Upon the expiration of the term for which it was granted.[166]

2. By relinquishment.[167]

3. If bankruptcy proceedings have been instituted against it.

4. On the basis of a legal decision.[168]

5. By the enactment of a state government, according to the provisions of the statute or charter.

SEC. 50. The right of issue can be withdrawn by legal verdict on the charge of the Imperial Chancellor or of the Administration of the State in which the bank is located:

1. When the provisions of the statute, of the charter, or of this Act [169] concerning the reserve fund, have been violated, or when the note circulation has exceeded the limit fixed by statute, charter, or law.[170]

2. When the bank carries on business prohibited in section 42, or outside the province designated in section 42, before the issue of the proclamation of the Imperial Chancellor mentioned in section 45; or, if the bank sends, or allows its notes to be sent, outside the province indicated in section 43.[171]

3. If the bank does not provide for the redemption of notes presented—

(*a*). At its main office on the day of presentation.

(*b*). At its redemption office (sec. 44, art. 4), by the close of the day following the day of presentation.

(*c*) At the other redemption offices mentioned in the statute, by the close of the third day after the day of presentation.[172]

4. Whenever stock has been reduced by one-third through losses.

The charge is to be conducted in a regular judicial manner, and is regarded by the imperial and state law as a commercial suit (*Handelssache*).[173] The decision is also to contain an order for the withdrawal of the notes in circulation.[174]

SEC. 51. The decision goes into effect only after it has become legally valid. The court of procedure is to authorize its execution, and is to determine the period within which the bank has to publish the announcement of the notice of withdrawal of its notes.

Inasmuch as the bank has not become insolvent, the court is to appoint a trustee (*Kurator*) to supervise the withdrawal of the notes. If the bank does not fulfill the proper requirements, the trustee is to demand the liquidation of the bank by the court.

Redeemed notes are to be delivered by the bank at an office situated in the same city and announced by the Imperial Chancellor.

SEC. 52. Six months after the decision (sec. 50) has become legally valid, the bank is to deposit with the office

named by the Imperial Chancellor a sum equal to the amount of the notes which were not yet redeemed. The office shall return to the bank its deposit upon its delivery of the notes, and the balance, if there be any, after the expiration of the period established by the Bundesrat for the withdrawal of the notes.

SEC. 53. The notes delivered to the receiving office are to be destroyed in the presence of the trustee of the receiving office and of the trustee appointed to take charge of the withdrawal of the notes. A legal or notarial record is to be kept of the destruction of the notes. The management of the bank may have two representatives witness the destruction. The head of the receiving offices is to give at least a week's notice to the bank of each date on which the notes are to be destroyed. The destruction can take place at one or at several successive periods.

SEC. 54. All those corporations which, though they are not note-issuing banks, are vested by this Act with the right of issuing notes or other noninterest-bearing bonds, payable to bearer, and which on this ground avail themselves of the privilege of issuing and circulating paper money, are subject to the provisions of sections 2 to 6, inclusive, sections 43 and 47, article 1, of this Act, in so far as these sections relate to the privilege of issuing paper money, to the duration of this privilege, and to the reserve against paper money.[175]

CHAPTER IV.—*Penal provisions.*

SEC. 55. Whoever issues unauthorized bank notes, or other noninterest-bearing bonds, payable to bearer, is to be punished by a fine equivalent to ten times the amount

of the paper money issued by him, and not less than 5,000 marks.[176]

SEC. 56. Whoever uses notes of domestic banks, or of other money-issuing domestic corporations,[177] for payments outside the province in which they are permitted to circulate (sec. 43), is to be punished by a fine not exceeding 150 marks.

SEC. 57. Whoever, contrary to the prohibition in section 11, makes payments with foreign notes, or other noninterest-bearing bonds payable to bearer, of foreign corporations, associations, or private individuals, which are valued in the imperial standard or in the standard of a German State, is to be punished by a fine of from 50 to 5,000 marks. If such practice is kept up as a trade, the penalty is to include imprisonment up to one year. The mere attempt is also punishable.

SEC. 58. Whoever, acting as the head or the agent of a branch office, transacts banking business for the account of a bank, or enters into combination with banks as a partner, contrary to the provisions in section 42, is to be punished by a fine not exceeding 5,000 marks. The same fine is to be imposed on the members of a bank directorate who do not comply with the provisions of section 7, or who disregard the provisions of section 42 (*a*) by establishing branch offices or agencies, and (*b*) by going into partnership with other banks.

SEC. 59.[178] The members of a bank directorate are punishable (*a*) by imprisonment up to three months, if they consciously misrepresent the condition of the business of the bank in the publications ordered by the pro-

visions of section 8; (*b*) by a fine equal to ten times the amount of the tax withheld, and not less than 500 marks, if their report, ordered by section 10, subtracts from the actual amount of circulating notes which are subject to taxation; (*c*) by a fine equal to ten times the excess amount and not less than 500 marks, if the bank notes exceed the authorized issue.[179]

The penalty provided in the last case applies also to the directors of such corporations which are authorized to issue noninterest-bearing bonds, payable to bearer, if the latter exceed the authorized issue.[180]

CHAPTER V.—*Final provisions.*

SEC. 60. Sections 6, 42, and 43, as well as the penal provisions relating to them and contained in sections 56 and 58 of this Act, are to go into effect on the 1st of January, 1876.[181]

SEC. 61. The Imperial Chancellor is authorized to form a treaty with the Royal Prussian Government concerning the transfer of the Bank of Prussia to the Empire,[182] on the following conditions:

1. After withdrawing its capital of 1,906,800 thalers, together with one-half of the reserve fund, Prussia is to cede the Bank of Prussia to the Empire on the 1st of January, 1876, with the rights and obligations of the Bank on the conditions stated in the following articles, 2 to 6. The Empire will reorganize this bank into an imperial bank, according to the provisions of this Act.

2. Prussia is to receive compensation of 15,000,000 marks for the surrender of the Bank. The sum is to be covered by the Reichsbank.

3. The former stockholders of the Bank of Prussia shall have the right of demanding the exchange of their certificates for shares of the Reichsbank of the same nominal value, provided they forego all their rights in favor of the Reichsbank.

4. The Reichsbank is to refund the capital and the share of the reserve fund to those stockholders of the Bank of Prussia who demand such repayment, according to the provisions of sections 16 and 19 of the bank ordinance of the 5th of October, 1846.

5. The Reichsbank shall pay to Prussia for the years 1876 to 1925, inclusive, an annual sum of 621,910 thalers in semiannual installments on account of the obligations assumed by the Bank of Prussia on the 28th–31st of January, 1856, with regard to the state loan of 16,598,000 thalers. If the privilege of the Reichsbank shall not be extended, and no other bank shall assume the rights and obligations of the latter, the payments shall be made by the Empire, so that the income shall accrue undiminished to the Prussian State Treasury until the time above mentioned.

6. As regards the property of the Bank of Prussia, an agreement is yet to be made between Prussia and the Reichsbank.

SEC. 62. The Imperial Chancellor is authorized—

1. To sell those shares of the Reichsbank which are not exchanged for shares of the Bank of Prussia, according to section 61, article 3.[183]

2. To issue interest-bearing bonds, maturing not later than on the 1st of May, 1876, which shall equal the amount

of the unsold shares, in order to secure the capital required by section 23.

SEC. 63. The preparation of the bonds (sec. 62, art. 2) shall be undertaken by the Prussian administration of the state debt. The Imperial Chancellor is to fix the rate of interest. The amount of bonds may be extended by the order of the Imperial Chancellor before the 1st of May, 1876, but only as a reserve against the bonds already in circulation.

SEC. 64. The amounts necessary for the interest and the redemption of these bonds must be taken from the revenues of the Empire, and must be at the disposal of the administration of the imperial debt at the time when they are due.

SEC. 65. The bonds are to be issued through the Imperial Treasury.

The interest accrued on the bonds is canceled after four years', and the principal after thirty years' maturity, the date of which is to be given in each bond.

SEC. 66. The provisions of the "Handelsgesetsbuch" concerning the entries in the Commercial Register and their legal consequences are not applicable to the Reichsbank.[184]

Issued over our imperial signature and seal. Given at Berlin, the 14th of March, 1875.

(Signed) WILLIAM.

PRINCE VON BISMARCK.

NOTES ON BANK ACT OF MARCH 14, 1875.

1. The Bank Act treats of the reform of the note system, which was instituted by imperial legislation, according to article 4 of the constitution of the Empire. The way was prepared for the Act by the law which was in force till the 31st of December, 1875; by the provisions of the so-called "bank act" of the 27th of March, 1870 ("Bürgerliches Gesetzbuch," p. 51); further, by article 18 of the coinage act of the 9th of July, 1873; and, finally, by the provisions for its execution in article 2 of the law of the 21st of December, 1874 ("Reichsgesetzblatt," p. 193; see below, note 13). The Bank Act went into effect throughout the German Empire on the 1st of April, 1875, with the exception of the provisions indicated in section 60, which were published on the 1st of January, 1876. (Cf. Constitution of the Empire, art. 2.)

2. This provision is introduced in lieu of sections 1 and 2 of the law of the 22d of March, 1870. (Cf. also Bank Act, sec. 44, par. 1; No. 6, par. 4; and sec. 46, par. 1.) There is no need of a motion being made to that effect by the Federal Government. This law is the first of its kind. Section 47, paragraph 3, contains a special provision limiting section 1, paragraph 1, with respect to Bavaria. The provisions concerning both the absolute maximum amount of note issue and the limit fixed in relation to the capital (sec. 44, par. 4) were contained in the previous statutes of the individual note banks. In case the limit is exceeded, the right of issue can be withdrawn (sec. 50, No. 1). With respect to the Reichsbank, cf. section 16.

At the time of the publication of the Bank Act there were 33 note-issuing banks in the German Empire. Of these, the Bank of Prussia and five others had the unlimited right of note issue; the others had a more or less limited right of issue.

Penal provisions for unauthorized note issue are contained in sections 55 and 59, No. 3. (Cf. also sec. 48.)

3. Section 1, paragraph 2, corresponding to the law of the 22d of March, 1870, relates to the Oldenburg Landesbank, which was granted the right of issuing 2,000,000 thalers of Oldenburg state paper money in accordance with the law for the Duchy of Oldenburg of the 12th of August, 1868, dealing with the issue of paper money, and in accordance with a previous agreement between the Grand Duchy administration and the founders of the bank. The provision became superfluous after the relinquishment by this bank of its right of issue (see below, note 26) and the subsequent withdrawal of the paper money.

4. This excludes them from legal-tender as well as from compulsory circulation. The imperial and state treasuries have only administrative

powers. (Cf., e. g., for Prussia, the Proclamations of the Minister of Finance of the 5th of January, 1876, and of the Minister of Justice of the 11th of February, 1876.) Concerning the bank treasury, cf. section 4, note 6, and sections 19 and 44, paragraph 1, No. 5. Sections 2 to 6 apply also to notes issued by corporations, etc. (Sec. 54.)

Concerning the right of the private note banks to protest, cf. section 44 paragraph 1, No. 6. Concerning protection, see law of the 1st of February, 1905, section 7.

5. Cf. the statistical reports of the German bank notes, periodically published in the "Reichszentralblatt" from February, 1877, until the end of November, 1880; and after that time, the "Notes" to the "Status der deutschen .Notenbanken" published monthly in the same journal since September, 1875. By far the greatest amount has been issued in notes of 100-mark denomination. Notes of 200 marks are no longer found, while notes of 500 marks are issued only by the Bank of Saxony and the Bank of Prussia (now by the Reichsbank; see note 59). Notes of 1,000 marks are issued only by the Reichsbank. Notes of higher amounts were never issued, and notes for smaller amounts than 100 marks had already been forbidden by article 18 of the Coinage Law of the 9th of July, 1873. (See note 1.) Concerning notes issued by corporations, etc., see section 54.

6. The bank note is an order to pay on demand to bearer. The place of payment is at the main office (*Hauptsitz*) of the bank. The Reichsbank alone has wider obligations (sec. 18b). Concerning the other redemption offices of the private note banks, cf. section 44, paragraph 1, No. 4, and section 45. In case of failure to redeem notes at the proper time, the right of issue can be withdrawn by legal judgment, according to section 50, paragraph 1, No. 3. Concerning the acceptance of the notes of other banks, cf. section 19 and section 44, paragraph 1, No. 5.

7. Similarly, in the case of imperial treasury notes, according to the law of the 30th of April, 1874, section 6, paragraph 2.

8. This provision contains no prohibition against the payment with bank notes and demands no announcement of their invalidation. (Cf. also "Bürgerliches Gesetzbuch," sec. 799, par. 1.) The recall mentioned in section 6 is different. The assertion of claims (*Vindikation*) is subject to the decision of civil law. (Cf. "Bürgerliches Gesetzbuch," sec. 1006.)

9. If the larger part is in such condition, the withdrawal of the notes can be ordered. (Sec. 6, par. 2.)

10. The law distinguishes between an order (par. 2) and mere consent (par. 3). The withdrawal and destruction of the imperial bank notes, even in the case of section 5, are intrusted to the imperial debt commission. (Sec. 16, par. 2.)

Concerning the withdrawal ordered by legal judgment, see section 50, paragraph 3, and sections 51–53. The period within which the announcement is to be made is determined by the court.

Concerning the treatment of counterfeit imperial bank notes, the Bundesrat decided, on the 30th of November, 1876, to adopt the following provisions:

I*a*. All imperial state treasuries must retain the counterfeit or false bank notes which come into their possession. (Secs. 146–149 of the "Strafgesetzbuch.")

(*b*.) If a counterfeit note is recognized by an employee of the bank, notice is to be given at once by the representative of the bank to the judicial or public authority, to whom the counterfeit note and a written statement of the circumstances of the transaction must be submitted.

(*c*.) If the genuineness of the note appears doubtful, the latter is to be sent to the Reichsbank board of directors at Berlin, and the holder is to be given a receipt for it. The board of directors will have the note examined, and (*a*) in case it proves genuine will remit its value through the office which sent it to the bearer; (*b*) in case it proves spurious, the board of directors will return the counterfeit note to the office in order that the latter may proceed in accordance with provision *b*.

(*d*.) The Reichsbank board of directors is to be informed at once by the proper justice or police authority of each investigation instituted in connection with counterfeit imperial bank notes; and as soon as it can be done without disadvantage to the proceedings, the counterfeit note is to be delivered to the board of directors.

The Reichsbank board of directors is to be kept informed of the progress of the proceedings and their final result. For this purpose the documents and the counterfeit notes are to be delivered to and retained by the board of directors.

II. The various imperial and state authorities are to be informed of the provisions under No. I, with special reference to the provisions of the "Strafgesetzbuch" contained in sections 146–149, 151–152, and 360, Nos. 4–6. Such information has been given. (Cf., e. g., the decree of the Prussian Minister of Finance of the 13th of February, 1877.)

11. This was not made clear in the Federal Constitution. Such provisions have been ordered in respect to the notes of the Bavarian *Hypotheken und Wechsel-bank*, on the 7th of June, 1877 ("Reichsgesetzblatt," p. 527); of the *Rostocker Bank*, on the 19th of December, 1877 (ibid., p. 575); on the 9th of April, 1878 (ibid., p. 11); on the 19th of October, 1878 (ibid., p. 350); of the former *Preussische Bank*, on the 15th of March, 1878 (ibid., p. 6), and on the 10th of April, 1878 (ibid., p. 12); of the *Lübeck Komerzbank* on the 8th of August, 1886 (ibid., p. 259); of the *Kölnische Privatbank*, on the 7th of July, 1887 (ibid., p. 286); of the *Hannoversche Bank*, on the 16th of July, 1889 (ibid., p. 169); of the *Bremer Bank*, on the 25th of October, 1889 (ibid., p. 199); of the *Leipziger Kassenverein*, on the 4th of July, 1890 (ibid., p. 76); of the *Magdeburger Privatbank*, on the 9th of December, 1890 (ibid., p. 205), and on the 29th of April, 1893 (ibid., p. 153); of the *Provinzial-Aktienbank*, of the Grand Duchy of Posen, on the 9th of December, 1890 (ibid., p. 206); of the *Danziger Privat-Aktienbank*, on the 25th of December, 1890 (ibid., p. 213); of the *Chemnitzer Stadtbank*, on the 3d of February, 1891 (ibid., p. 12); of the *Städtische Bank zu Breslau*, on the 19th of November, 1893 (ibid., p. 263); of the *Frankfurter Bank*, on the

6th of July, 1901 (ibid., p. 262); of the *Bank für Süddeutschland*, on the 5th of June, 1902 (ibid., p. 225). All of these orders, with the exception of the one to the *Preussische Bank* (cf., note 59), deal with the loss of the right of note issue. (Sec. 6, par. 2; sec. 49.)

In accordance with section 6, there was also ordered the withdrawal of the notes issued by the Provincial (*Landständische*) Bank at Bautzen, which is not included among the note banks (see sec. 54). See proclamation of the 17th of August, 1903, "Reichsgesetzblatt," page 270.

12. This prohibition is aimed chiefly at contango transactions (Reportgeschäfte).

Cf. the penal provision in section 58, paragraph 2. The reason for the prohibition of blank credit is evident. The common-law provisions with regard to the transactions named in section 7 remain unaffected.

The law of the 19th of June, 1893, which deals with the final provisions concerning usury, has no application to the note banks, according to Article 2, section 4, paragraph 2.

13. The monthly "Status der deutschen Notenbanken" (cf. note 5) is based on these weekly reports. Concerning the Reichsbank, cf. section 50, sentence 2, section 32, paragraph 1.

The following provision of the law of the 21st of December, 1874, article 2 (see note 1), concerning the issue of bank notes, is also to be noted here:

"Sec. 4. The banks are further required to report to the Imperial Chancellor for the purpose of publication, not later than on the 7th day of each month, the amount of the following items on hand on the last day of the preceding month: (1) circulating notes; (2) notes in the bank vaults (including affiliated offices, agents, and other branch institutions); (3) notes destroyed after redemption. These notes are to be recorded separately according to their denominations."

Article 1 and the remainder of article 2 were of only temporary significance.

The first report of this kind was published according to the proclamation of the Imperial Chancellor on the 15th of January, 1875 ("Zentralblatt für das Deutsche Reich," pp. 91 ff; cf. further ibid., 1875, pp. 132, 178, 190, 278, 312, 352, 432, 460, 514, 664, 684, 730, 788; 1876, pp. 34 ff.). In the further reports the precluded bank notes are also given. (Cf. idid., 1876, pp. 112, 172, 228 ff., etc.; 1877, p. 124.) In the following reports only the notes in circulation or on hand were reported (Ibid., 1877, pp. 206, 216, 280, etc.). Cf. also Bank Act, section 10.

14. For example, the giro deposits (*Giroguthaben*) (sec. 13, No. 7), and deposits (*fremde Gelder*) payable on demand at the Reichsbank (sec. 22).

15. For example, deposits. (Sec. 13, No. 7.)

16. That is, all kinds of debts recorded in the books, e. g., undivided profits.

17. German currency consists of imperial gold, silver, nickel, and copper coins, and the thalers, which are equivalent to gold coins (Coinage law, arts. 14 and 15). The account need not contain such details as the par-

ticular amounts of the gold and the silver coins and their denominations. Following the method of the Bavarian note bank, however, it has been the practice of the administration of the Reichsbank in their reports on the 31st of December to give in the annual average these items, viz, gold in bullion and foreign coins, German gold coins, thalers and subsidiary coins. Information concerning the stock of metal at the end of 1898 is contained in the report of the commission of the 14th of April, 1899, page 3. Since 1902 it is also recorded at the January session of the central committee of the Reichsbank by the president, and then published in the "Norddeutsche Allgemeine Zeitung."

The provision concerning the amount of gold corresponds to section 14 and section 9, paragraph 1.

18. This includes also short-time bonds (sec. 13, No. 2; sec. 32, par. 1), e. g., imperial treasury notes. The suggestion to add the phrase "at the daily rate" was rejected as superfluous by the commission of the Reichstag of 1874–75. (Cf. the "Handelsgesetzbuch" of the 10th of May, 1897, secs. 40 and 261, as well as the statute of the Reichsbank, sec. 13, No. 1.)

19. For example, real estate, as well as advances on gold which are free from interest, etc.

20. These provisions are contained in the announcement of the Imperial Chancellor of the 15th of January, 1877, concerning the instructions with regard to the assets and liabilities in the annual reports of the note banks.

Special instructions for the annual report of the Reichsbank in accordance with section 40, No. 4, are contained in section 13 of the statute of the Reichsbank. Section 59, No. 1, of the Bank Act deals with penalties for false returns in the weekly reports. The Imperial Chancellor verifies the correctness of the returns (sec. 48).

21. The Reichsbank does not rediscount its domestic bills. Bills issued by private note banks are frequently rediscounted, however, by the Reichsbank.

22. This provision contains the important, but often disputed, principle of the so-called indirect limitation of note issue. (Cf. motivation of the Bank Act of 1875, pp. 18 ff.) The tax-free note reserve—that is, the surplus of bullion and of the amount of uncovered notes allotted to the bank—is therefore an important factor in the bank policy.

The bill of 1898–99 retained the system as feasible, but proposed an increase in the amount of notes which the Reichsbank could issue. This privilege of increase was still further extended in the Reichstag. (See bill, art. 3; report of the commission, No. 209, 10, Legislative Period I, session 1898–99, pp. 29 ff.; Stenographic Report 1, discussion, pp. 696, 702, 710, etc.)

23. Cf. note 17.

24. The inclusion of these notes (cf. secs. 19, 44, par. 1, No. 5) distinguishes this provision from those dealing with the so-called "reserve of one-third" (*Dritteldeckung*). (See secs. 17 and 44, No. 3.)

25. Cf. section 13, No. 1, and section 14. Gold loans (sec. 13, No. 3*a*) are not included.

26. Thirteen banks which had notes to the amount of 22,561,000 marks have relinquished the right of note issue at the outset (cf. sec. 49, No. 2), viz:

Die Ritterschaftliche Privatbank in Pomerania (Stettin).
Die Bank des Berliner Kassenvereins.
Die Kommunalständische Bank für Preussische Oberlausitz (Gorltz).
Die Leipziger Bank.
Die Weimarische Bank.
Die Oldenburgische Landesbank.
Die Mitteldeutsche Kreditbank in Meiningen.
Die Privatbank zu Gotha.
Die Anhalt-Dessauische Landesbank.
Die Thüringer Bank (Sonerschausen).
Die Geraer Bank.
Die Niedersächsische Bank (Buckeburg).
Die Lübecker Privatbank.

Then followed:

	Marks.
Die Landgräflich hessische konzessionierte Landesbank in Hamburg (No. 11)	159,000
Die Rostocker Bank (No. 21)	1,155,000
Die Kölnische Privatbank (No. 5)	1,251,000
Die Kommerz Bank in Lübeck (No. 32)	959,000
Die Hannoverische Bank (No. 10)	6,000,000
Die Bremer Bank (No. 33)	4,500,000
Der Leipziger Kassenverein (No. 16)	1,440,000
The five following banks lost right of issue at the expiration of the period for which this authority was given (cf. sec. 49, No. 1):	
Die Dantziger Privataktienbank (No. 7)	1,272,000
Die Provinzial Aktienbank of the Grand Duchy of Posen (No. 8)	1,206,000
Die Magdeburger Privatbank (No. 6)	1,173,000
Die Chemnitzer Stadt Bank (No. 17)	441,000
Die Städtische Bank zu Breslau (No. 3)	1,283,000
Total	43,400,000

The Reichsbank's share of the circulation was thus increased to 293,400,000 marks.

This share was further extended by the enactment of the "Law concerning the Change of the Bank Act of the 14th of March, 1875," on the 7th of June, 1899. (See below, note 74.) Article 5 of this law reads as follows:

"The total amount of tax-free uncovered note circulation to be apportioned to the Reichsbank, according to section 9 of the Bank Act, includ-

ing the shares of the banks numbered 2 to 11, 15 to 17, 21 to 23, and 25 to 33, which have accrued to the Reichsbank, is to be fixed at 450,000,000 marks, while the total note circulation for all the banks is to be raised to 541,600,000 marks."

Cf. above, note 22. The state governments had proposed an increase of the share of the Reichsbank to 400,000,000 marks, and of the aggregate amount to 491,600,000 marks. The commission approved of this at the first and second readings, but at the third reading a compromise was made resulting in an extension of 50,000,000 marks, or of 450,000,000 marks for the Reichsbank and 541,600,000 marks for the total circulation. The latter amendment was accepted without debate.

The provision went into operation on the 1st of January, 1901, according to article 10.

Of the remaining seven banks, the following surrendered the right of note issue:

	Marks.
Die Frankfurter Bank (No. 12)	10, 000, 000
Die Bank für Süddeutschland (No. 20)	10, 000, 000

The share of the Reichsbank was thus increased to 470,000,000 marks.

The private banks still exercising the right of issue are:

	Marks.
Die Bayerische Notenbank (No. 13)	32, 000, 000
Die Sächsische Bank zu Dresden (No. 14)	16, 771, 000
Die Württembergische Notenbank (No. 18)	10, 000, 000
Die Badische Bank (No. 19)	10, 000, 000
Die Braunschweigische Bank (No. 24)	2, 829, 000
Total (tax-free uncovered notes)	71, 600, 000

27. The data are taken from the weekly records. (Sec. 8.)

28. The "supervising authority" is the Imperial Chancellor, who also verifies the correctness of the reports made for the purpose of calculating the tax. (Sec. 48.) The penal provision for false returns is contained in section 59, No. 2.

29. Such a tax has been collected annually from the Bank of Saxony and from the Württemberg note bank since 1889; and since 1890, with the exception of the year 1894, from the Bank of Baden, and several times from the Bavarian note bank; since 1881, from the Reichsbank, chiefly at the close of autumn and winter quarters. Small at the beginning, these payments are growing steadily. They were made only once in each of the years 1881, 1884–1886, and 1893; twenty times in 1899, but less frequently since then; seven times in 1903, and eight times in 1904. The total tax paid so far by the Reichsbank is 12,250,885 marks.

30. The penal provision is contained in section 57. The business which issues such payments remains legally valid.

31. The Reichsbank holds a position different from that of the other banks (private note issuing banks, Chap. III). It is the central note

Bank of the Empire and must promote not only private but also public ends; hence, in the public interest, it is vested with certain rights which entail corresponding duties. It is, as the imperial court says, "a constitutional organ, a quasi public Federal Institution," and its administration, together with that of the branch institutions, is, therefore, closely connected with the federal authority.

32. Cf. sec. 25.

33. Cf. sec. 26.

34. The Reichsbank is thus separated from the Imperial Treasury; but it is not a stock company. It has its special law, namely, the Bank Act, and its statute. In addition to these it is subject to those provisions of the "Handelsgesetzbuch" which deal with commerce. (Cf. also sec. 66; statute, sec. 17, par. 2, and "Handelsgesetzbuch," of the 10th of May, 1897, sec. 1, par. 2, No. 4, sec. 7.)

35. This purpose is for the most part achieved by the giro business (sec. 13, No. 7). Payments are further facilitated by the clearing houses established by the Reichsbank in Berlin, Bremen, Breslau, Chemnitz, Dortmund, Dresden, Elberfeld, Frankfort (Main), Hamburg, Leipzig, Cologne, and Stuttgart.

36. The Reichsbank has at present (end of April, 1905) a total of 428 branch offices. (Cf. secs. 36 and 37.)

37. The local main offices of the Reichsbank are established in such large cities as the Bundesrat may designate (sec. 36). Since 1876, the number of these offices has increased to 19. (See below, note 106.)

38. Individual transactions which are recognized as valid by the Civil Code and are not included under section 13 are not subject to this limitation. (Cf. Stenographic Report of the Reichstag, 1874–75, p. 1317; cf. also sec. 35.) Numbers 1–4 treat of investments (concerning the private note banks, cf. sec. 44, No. 1); Nos. 5–8, of other transactions.

39. Cf. sections 14 and 32. The purchase of gold imported from foreign countries serves in reality for the maintenance and strengthening of the note-reserve fund and supports the interests of the monetary standard.

40. This refers only to bills of exchange (drafts, checks—in so far as they are not actual bills—warrants, and the like, are not included), which may also be considered as a bank reserve against its circulating notes. (Cf. sec. 17.) In the Reichstag commission for the law of the 7th of June, 1899, a resolution was adopted recommending to take into consideration the amount to be discounted in case of bills of associations. (See Report, pp. 55 and 56.) This is consistent with the general practice of the Reichsbank.

41. That is, provinces, districts, and municipalities. (Cf. "Bürgerliches Gesetzbuch," sec. 1807, No. 4.) The securities must have circulating capacity and must contain the clause of the ordinance.

42. Concerning the announcement of the discount rate, see section 15. With regard to consulting the central committee, see sec. 32, par. *2e*.

43. Concerning the maximum amount, cf. sec. 32, par. 2*d*. Concerning the announcement of the interest rate of loans on securities, see section 15. The central committee is to be consulted concerning the rate. (Sec. 32, par. 2*e*.)

44. A reduction from the value of metal, as the original bill recommended, is not ordered.

45. Owing to the methods of auditing the federal debts (law of the 31st of May, 1891), as well as the Prussian state debts (law of the 20th of July, 1883), no bonds, registered or made out to bearer, are issued and, therefore, they can not be hypothecated.

46. The modifying clause was added by the Reichstag (Report of the commission of the 19th of January, 1875, p. 38). The shares and preferred bonds need not be made out to bearer.

47. The requirement of the state supervision does not apply to the mortgage banks (*Hypothekenbanken*). (See report of the commission January 19, 1875, p. 38; stenographic report, p. 1918.) Concerning land mortgage institutions (*Bodenkreditinstitute*), see Dr. Felix Hecht, "Die Staatlichen und Provinziellen Bodenkreditinstitute in Deutschland," Parts I and II, Leipzig, 1891; also "Der europäische Bodenkredit," Leipzig, 1900. Mortgages need not be made out to bearer. (Cf. note 46.)

Private insurance companies may invest their premium reserve fund only in those mortgages of German mortagage banks which are accepted by the Reichsbank in Class I (i. e. at three-fourths of their market value).

Cf. Law with regard to private insurance companies of the 12th of May, 1901.

48. The addition is based on article 6 of the law of the 7th of June, 1899 (cf. note 74), which reads as follows: "To section 13, 3 C, of the Bank Act, after the words, 'of the exchange value,' the following sentence is to be added" (here follows the above text.)

The provision is already to be found in article 4 of the bill proposed by the Government. Its purpose is to extend the sphere of the securities which may be hypothecated to bonds issued by some institutions and banks, which afford at least the same degree of security as mortgage bonds, but are not classified as such. It applies also to the private note banks, according to section 44. The restricting provisions of section 43 have no application to these banks. It was not supported in the Reichstag. Article 6 went into operation on the 1st of June, 1901, according to article 10.

49. These preferred bonds may be made out to bearer (cf. notes 46 and 47), and may be issued by railroad companies whose roads are not in active business.

50. Short-time bonds of the same kind fall under No. 2.

51. Not the Bank Act itself, as is the case with the private note bank. (Sec. 44, No. 1.) Such a provision has as yet not been published. Before the securities of the kind here indicated can be purchased, the maximum

amount which can be employed for this purpose must be established with the consent of the central committee (sec. 32, par. 2 *d*). Since 1900 the Reichsbank has held, in the interests of the depositors, a very limited stock of securities of small denominations.

52. Blank credit is expressly forbidden here, as in No. 5. The details concerning the necessary security in the purchase and sales of securities (cf. sec. 40, No. 11) are contained in section 10 of the Reichsbank statute of the 21st of May, 1875. In this branch of business, as in that of No. 8 and also in loans on securities (No. 3), the Reichsbank is subject to the regulations imposed on bankers by the so-called Bank Deposit Law of the 5th of July, 1896. It had really observed these regulations even before that law was passed.

53. The interest-paying deposits must then be returned. (Cf. agreement concerning the transfer of the Bank of Prussia to the German Empire of the 17th and 18th of May, 1875, secs. 12 and 13, and note 12.) Deposits of this character have not generally been accepted since the 31st of May, 1879. In spite of this, recent laws point to the acceptance of interest-paying money by the Reichsbank, as, e. g., the "Bürgerliches Gesetzbuch," section 1808, and the law of the 10th April, 1892, section 40, concerning sickness insurance ("Reichgesetzbuch," p. 417).

54. Both open and sealed, according to the legal provisions, e. g., in the "Bürgerliches Gesetzbuch." (Secs. 1082, 1114, 2116; cf. note 52.)

55. This provision, which was the result of the investigation of the commission of the Reichstag of 1874–75, supplements the coinage right of private individuals (cf. Coinage Law, 9th of July, 1873, art. 12), and, like the latter law, serves for the maintenance of the gold standard. The difference of three marks from the mint rate (law of the 4th of December, sec. 1) forms the seigniorage (cf. Coinage Law, art 12). The periodical reports of the purchases of gold by the Reichsbank are contained in the "Centralblatt für das Deutsche Reich." Bullion is, of course, coined in proportion to demand.

56. Cf. announcement of the 8th of June, 1875.

57. The so-called private discount is related to the law of the 7th of June, 1899 (see below, note 74), article 7, section 1, which reads: "After the 1st of January, 1901, the Reichsbank is prohibited from discounting below the rate announced at stated periods (sec. 15 of the Bank Act) whenever this rate reaches or exceeds 4 per cent.

"If the Reichsbank discounts at a rate lower than the official one, it has to announce this rate in the '*Reichsanzeiger.*' "

The bill did not contain this provision, but, together with another provision which places restrictions upon the private note banks (see Report, pp. 32 ff), it was recommended by the commission of the Reichstag, and accepted by the Reichstag, after the words "reaches or" were crossed out. As a matter of fact, however, it only sanctioned the established practice. The Reichsbank made use of the authority only in times of ready money.

The announcement (art. 7, sec. 1, par. 2, law of the 7th of June, 1899) is to be made only in the "*Reichsanzeiger*," and not in the other papers intended for the announcements of the Reichsbank board of directors (statute, sec. 30).

The discounting of so-called bills of exchange at a lower rate has been discontinued since the 1st of April, 1896.

The interest rate of loans on pledges is generally 1 per cent higher than the discount rate of bills. The resolution adopted by the commission of the Reichstag, 1899, runs as follows: "To solicit the Reichsbank management to consider whether in times of liquid money the excess of one-half of 1 per cent above the Bank rate would not be adequate for loans on pledges." (See Report of the Commission, pp. 31 ff, 56 ff; Stenographic Report, p. 1992.)

Meantime no change in the former practice has been made, and the rate for loans on pledges is quite high (Dec. 31, 1903, 213,000,000 marks; 1904, 215,000,000 marks).

58. The condition of the reserve fund need not be announced. A bill to that effect was rejected by the Reichstag commission of 1899. (Cf. Report of the commission, p. 48.) See sections 8, 36, 37, and 48.

59. There is an indirect restriction in sections 9, 10, and 17.

Concerning the issue of notes of 100 and 1,000 marks, cf. the proclamation of the Reichsbank board of directors of the 6th of August, 1876, the 20th of June, 1877, the 10th of November, 1884, etc. According to the proclamation of the Imperial Chancellor of the 16th of December, 1875 (Reichsbank statute, sec. 1, note 3), after the 1st of January, 1876, all notes of the former Bank of Prussia (see below, note 5) are considered as notes of the Reichsbank. Notes of the Bank of Prussia of 100 marks (not those of 500 to 1,000 marks) have meanwhile been recalled (cf. sec. 6, note 11).

The average of the note circulation of the Reichsbank during the last three years amounted to over 1,200,000,000 marks—that is, from 89.5 to 89.9 per cent of the aggregate German note circulation.

60. The notes of the Bank of Prussia still in circulation were further removed from the sphere of bank-note policy by the following provisions of the law of the 7th of June, 1899 (see below, note 74):

"ARTICLE 9.

"SEC. 1. The Reichsbank shall pay to the Imperial Treasury on the 1st of January, 1901, an amount equal to the face value of those notes of the former Bank of Prussia which are still in circulation.

"SEC. 2. The Empire is to compensate the Reichsbank for the notes redeemed or accepted in payment, according to section 1, after the 1st of January, 1901; and also for those notes which the Reichsbank redeems according to section 4 of the Bank Act.

"SEC. 3. After the 1st of January, 1901, the notes of the former Bank of Prussia shall not be included in determining, according to sections 8, 9, 10, and 17 of the Bank Act, the note circulation of the Reichsbank."

These provisions had already been suggested in article 7 of the government bill, but were not supported in the Reichstag. Section 3 is the logical result of sections 1 and 2. The provisions of section 16, paragraph 2, of the Bank Act apply to those notes after, as they did before, the above date.

According to section 1, the Reichsbank paid 2,559,040 marks, and according to section 2, received 138,860 marks.

61. Notes are to be prepared in the imperial printing office. On the defrayal of the costs, see Reichsbank statute, section 13, No. 2.

62. Cf. the law of the 19th of June, 1868, sections 4–7, as well as the imperial debt ordinance of the 19th of March, 1900, sections 12–15. The wording at the close of section 16, "at which a member appointed for this purpose by the Emperor is to be present" was changed by section 20 of the imperial debt ordinance. The members elected according to section 3 *d* of the law of the 23d of February, 1876, as well as the members appointed by the Emperor, on the basis of section 16 of the Bank Act, are members of the commission, with full power for the time for which they have been elected or appointed.

63. Cf. section 8, note 17 and section 14. In section 9 the notes of other German banks are included (note 24).

64. Bills of exchange must conform to the provision of section 13, 2. Other bonds, silver in bullion or in coins which are not German currency, and loans on pledges, can not be included in the reserve fund. Similar provisions concerning the reserve fund of the private note banks are contained in section 44, No. 3.

65. Without this limitation gold exportation would be facilitated. (Cf. Stenographic Report of the Reichstag, 1874–75, pp. 1332 ff.)

66. Cf. section 4, paragraph 1, and note 6 above.

67. The number of inhabitants is to be determined by the published results of the legal census.

In reality the Reichsbank goes still further, since it takes into special consideration the nature of the district as well as its advancement in the giro business.

Concerning the efforts to widen the legal limits of the duty of acceptance, cf. Report of Commission of the Reichstag, 1899, pp. 43 ff.

68. This varies from section 44, No. 5.

69. The Reichsbank has in numerous cases paid such banks for the costs incurred by the withdrawal of their bank notes in the imperial standard, on condition that they forego further claims for compensation. (Cf. sec. 9, par. 2; sec. 32, par. 2 f.)

70. Cf. "Handelsgesetzbuch," sec. 1234 ff; "Handelsgesetzbuch" of 1897, sec. 368. The exchange broker has taken the place of the commercial broker. (See Exchange Law of the 22d of June, 1896, sec. 34.)

71. Not from municipal, nor from other state taxes—e. g., the land and house tax—but from the "supplementary" or "property" tax, imposed on the so-called funded income in many Federal States. Concerning the Commercial Register, cf. sec. 66.

72. An extension of the obligation is contained in section 11 of the statute of the Reichsbank of the 21st of May, 1875. On the basis of these provisions an announcement concerning the Imperial Main Treasury (*Reichshauptkasse*) was issued on the 29th of December, 1875.

In place of the former ledger of the 30th of December, 1875, a new one was ordered for the Imperial Main Treasury by the Imperial Chancellor on the 12th of December, 1903.

The exchange of imperial subsidiary coins for gold coins is permissible at the Reichsbank Main Treasury and at a few other bank treasuries, in accordance with article 9 of the coinage law of the 9th of July, 1873, and the proclamation of the Imperial Chancellor of the 19th of December, 1875, which deal with exchange of imperial gold coins for imperial silver, nickel, and copper coins.

This is a special agreement with the imperial postal administration; the result of this is that the Reichsbank (for the account of the imperial deposit) furnishes the necessary advances to the postal treasuries and receives their surplus cash.

73. This was the case in Prussia and Baden. The special accounts of the latter were later suspended. The Prussian General State Treasury, with a great number of other Prussian state treasuries, and a great majority of all other German central state treasuries have taken up the giro business, after the manner of the Empire.

74. Cf. note 34. Formerly, section 23 read: "The capital of the Reichsbank shall consist of 120,000,000 marks, comprising 40,000 registered shares of 3,000 marks each. The shareholders are not personally responsible for the obligations of the Reichsbank."

The bill introduced in January, 1899, in regard to making some changes in the Bank Act, advocated an increase of the original capital to 150,000,000 marks, in shares of 3,000 marks each. The Reichstag commission did not oppose this bill at the first reading, making an amendment, however, to the effect that the face value of the new shares be equal to 1,000 marks each; this plan was also supported at the second reading. At the third reading the gradual increase to 180,000,000 marks, the present amount, was decided upon as a compromise (Report of the Commission, pp. 10 ff; Stenographic Report, pp. 1965 ff, 2002).

The provision forms the introduction to the "Law concerning the Change of the Bank Act, of the 14th of March, 1875." The law of the 7th of June, 1899 (issued on the 13th of June, 1899), began as follows:

"We, William, by the Grace of God, German Emperor, King of Prussia, etc., ordain in the name of the Empire, the Bundesrat and the Reichstag, the following:

"ART. 1. Section 23 of the Bank Act of the 14th of March, 1875, is amended by the following provision (here follows the above text).

"ART. 8. The Imperial Chancellor is authorized to sell the new shares of stock to be issued in accordance with article 1 of this law by public subscription.

"The amount of deposit for the new shares, and the period within which they are to be paid up, are to be determined by the Imperial Chancellor.

"ART. 10. Articles 1, 2, 5 and 6 of this law are to go into effect on the 1st of January, 1901.

"Issued over our Imperial signature and seal, at the New Palace, on the 7th of June, 1899.

"(Signed) "WILLIAM.
"COUNT VON POSADOWSKY."

The shareholders at a special general meeting called on the 18th of May, 1899, agreed to the changes of the Bank Act contained in this law, as they had complied in 1899 with respect to the changes made at that time.

According to article 8 of the law of the 7th of June, 1899, the shares could not be sold except by public subscription. It is otherwise provided in section 62, No. 1, of the Bank Act of the 14th of March, 1875. There is no provision with respect to the unsold shares, as in section 62, No. 2, and sections 63–65 of the act of the 14th of March, 1875.

The public subscription for the first 30,000 new shares took place on the 18th of October, 1900, and for the last 30,000 new shares on the 3d of November, 1904.

The deposit on the 60,000,000 marks issued in 1875 (sec. 62, No. 1) amounted to 30 per cent; 35 per cent on the emission of 1900, and 44 per cent on that of 1904 (without the emission stamp).

Cf. Proclamation of the Imperial Chancellor of the 24th of May, 1875 ("*Reichsanzeiger*," No. 120); 10th of October, 1900 (ibid., No. 244); 5th of October, 1904 (ibid., of the 29th of October, No. 256).

The new shares must be distributed within the period fixed by the new section 23, paragraph 2.

The shares are paid up.

The slight similarity of the Reichsbank to stock companies is brought to light in section 23, according to which the Reichsbank is founded wholly on private capital. The Empire invested no capital, and thus assumed no risk, but it granted the right of note circulation, and is directing and supervising the Bank (secs. 12 and 25 ff.). Concerning its share of profits, see section 24. For the details of the "Reichsbank share of stock" see Reichsbank statute, sections 2–8.

75. According to the first form of section 24, the ordinary dividend amounted to 4½ per cent (par. 1, No. 1, and par. 2); the distribution in the proportion of one-fourth to three-fourths (No. 3) began only after the total dividend of the shareholders exceeded 8 per cent. According to

the "Law concerning the Change of the Bank Act of the 14th of March, 1875," which was enacted on the 18th of December, 1889, section 24 of the Bank Act of the 14th of March, 1875, was substituted by a provision which went into effect on the 1st of January, 1891, and by which the ordinary dividend was reduced to 3½ per cent, while the ratio of one-fourth to three-fourths began as soon as the total dividend exceeded 6 per cent. The earnings between 3½ per cent and 6 per cent were divided equally between the Empire and the shareholders. The Government proposed a further reduction of the dividends of the stockholders in 1899. The original provision concerning the reserve fund, which was left unchanged by the law of the 18th of December, 1889, required that a fund be accumulated to equal the amount of one-fourth of the capital (120,000,000 marks) which was realized in 1891. But in 1899 the Government proposed to raise the fund to two-fifths of the capital (then 150,000,000 marks according to the government bill). In other words, the reserve fund was to be increased to 60,000,000 marks. The Government further proposed that the distribution of profits over 3½ per cent be equal, as long as the total dividend of the shareholders did not exceed 5 per cent, and that after this point had been reached, the division should begin in the proportion of one-fourth to three-fourths. In the Reichstag commission, meanwhile, this intermediary stage of 3½ to 5 per cent was entirely removed, and it was proposed that the ratio of one-fourth to three-fourths should begin after the dividend had reached 3½ per cent, and after 20 per cent of the surplus had been transferred to the reserve fund. The latter was fixed at 60,000,000 marks, in spite of the later increase of the capital to 180,000,000 marks. This amendment was adopted as a compromise, while the motion to limit the total dividend of the shareholders to the maximum amount of 6 per cent was rejected. (Cf. Report of the Commission, p. 20 ff; Stenographic Report, pp. 1975 to 2005.) The provision of the "Law of the 7th of June, 1899," reads: "Article 2. Section 24 of the Bank Act is changed to the following form by the repeal of article 1 of the law of the 18th of December, 1889." (Here follows the above text.)

According to article 10, article 2 went into effect on the 1st of January, 1901. The reduction of the dividend to 3½ per cent corresponds to the decline of the interest rate since 1875.

Concerning a further regulation of distribution in case of an increase of the capital, cf. Reichsbank statute, section 2, paragraph 3. As to the dividend coupons and talons, cf. Reichsbank statute, sections 3, 9, 14, and 15. The dividends are announced by the Imperial Chancellor upon the recommendation of the Reichsbank board of directors and with the approval of the central committee (Bank Act, sec. 32, par. 2*a;* Reichsbank statute, sec. 14). It is announced to the shareholders at their regular general meeting. (Sec. 22, par. 2*a;* Reichsbank statute, sec. 21.) With regard to the periods and methods of drawing the dividends, see section 40, No. 5; Reichsbank statute, section 15.

76. Concerning the amount of deposit, see note 74. The deposits on the last emission raised the reserve fund to 64,813,723.75 marks; that is, the latter exceeded the legal amount. The practice of transferring 20 per cent, which is prescribed in No. 2, was discontinued in 1903.

77. This follows from section 15 of the statute of the Reichsbank.

78. At present this function is performed by the Minister of Finance, Fr. von Rheinbaben. These arrangements are made in compliance with the ordinance of the Bank of Prussia of the 5th of October, 1846 (secs. 41 ff).

79. The deputy appointed "for that purpose" is the General Deputy of the Imperial Chancellor, State Secretary of the Interior, State Minister, Dr. Graf von Posadowsky-Wehner.

80. On the basis of this provision, the Imperial Chancellor has issued the following:

(*a*) The business instructions for the Reichsbank main offices and Reichsbank offices of the 30th of November, 1875.

(*b*) The business instructions for the Reichsbank secondary offices of the 17th of December, 1875.

(*c*) The business instructions for those Reichsbank secondary offices which are managed by two responsbile bank officials of the 21st of April, 1883.

They are not published together. Reichsbank secondary offices of the kind indicated in (*c*) no longer exist. (Cf., however, note 113.) The general business instructions are to be communicated to the central committee (sec. 32, par. 3).

81. The office of vice-president exists as such and is included in the budget since May, 1887 (sec. 28, par. 2). In addition to this office, seven members of the Reichsbank board of directors are on the pay roll. As regards the consent of the central committee, see section 32, paragraph 2*c*.

82. A decree was issued on the 19th of December, 1875, regarding the appointment of officials and the competence of the management of the Reichsbank to execute the law of the 31st of March, 1873. This decree also dealt with the appointment of Reichsbank officials who are also imperial officials (decision of imperial court of the 19th of December, 1904), and with the ordinary oath of service which the imperial officials take (law of the 29th of June, 1871), as well as with the application of the law regarding imperial officials (not as a supplement to the statute, but to the law of the 23d of November, 1874).

The salaries of Reichsbank officials are paid quarterly, according to the proclamation of the Imperial Chancellor of the 27th of December, 1875.

The salaries of the Reichsbank officials are regulated by seniority of service, according to the decree of the 14th of June, 1895.

The provision of the 16th of February, 1903, relating to residences for imperial officials has been applied (though with some changes), according to the imperial decree of the 4th of January, 1904, to residences of Reichsbank officials.

83. Cf. "Reichsgesetzblatt," 1877, pages 408, 425, 589, etc. The provision releasing other officials from the obligation to provide security does not apply to the Reichsbank officials. Concerning the support of their widows and orphans, cf. ordinances issued on the basis of sections 28 and 40 as "Supplements to the Statute of the Reichsbank," of the 8th of June, 1881, 20th of June, 1886, 18th of March, 1888, and the 26th of July, 1897.

84. Concerning the advice of the central committee with regard to changes, cf. sec. 32, par. 2*b*.

85. The control is annually transferred by law to the Prussian audit office. (Cf. law concerning the control of the imperial budget of the 22d of May, 1877, etc.)

86. The necessary provision was decreed on the 5th of February, 1877. (Not published.)

Concerning the inclusion of the expense of the organization and management in the annual report, cf. Reichsbank statute, sec. 13, No. 2.

87. Section 30 contains the chief provisions of the Bank Act concerning the general meeting of the stockholders (together with secs. 31, 32, par. 2*a*, sec. 33, and sec. 40, par. 6). For details concerning the notice of this meeting and its marked limitation, etc., see Reichsbank statute, section 2, paragraph 2, and sections 16–22.

88. The central committee has a remote similarity to the supervising committee of a stock company. It has only an advisory voice. (See sec. 32; cf. also Reichsbank statute, secs. 22–26 and 29.)

89. The new form of the third sentence of section 31 rests on article 3 of the law of the 7th of June, 1899. (See above note 74.) This sentence formerly read: "The members and the deputies shall be elected at the general meeting of the stockholders from among the shareholders possessing at least three registered certificates of stock."

The amendment was as follows: "In section 31 the third sentence is amended from 'the members' to 'stock' by the following provision." (Here follows the above text.)

It has thereby become necessary that the new shares of stock be drawn up only for 1,000 marks (sec. 23, par. 1). The possession of nine new shares of stock is equivalent to the possession of three of the old.

For details concerning the execution, cf. note 88 and the Reichsbank statute. The provision for resignation does not apply to the deputies. (Otherwise, sec. 34.)

If a new election is necessary on other grounds (death, etc.), the change is made only for the remainder of the interrupted period.

90. This regulation was made by the Imperial Chancellor on the 26th of November, 1875. (Not published. Cf. sec. 34.)

91. Cf. secs. 8 and 15.

92. This takes place generally on the 8th day of each month.

93. For another instance of mere expression of opinion, see Reichsbank statute, section 14, paragraph 3. The central committee is also to be con-

sulted in regard to questions contained in section 2, paragraph 2 (increase of capital), and in section 7 (records of indorsements, etc.). The consent of the central committee is required only in matters for which provision is made by section 32, paragraph *2d;* section 35 of the Bank Act; and section 15, paragraph 2, of the Reichsbank statute.

94. Cf. section 8, note 20; sections 24 and 30; and the Reichsbank statute, sections 13, 14, and 21.

95. Cf. section 13, No. 3.

96. Cf. section 13, No. 4, and note 93.

97. Cf. section 15.

98. Cf. section 19, note 68.

99. Cf. Reichsbank statute, section 21. Concerning the removal of deputies, see Bank Act, sec. 34, par. 4.

100. No provision is made for vacancies occurring in the course of the year. Elections for the rest of the period are of course not prohibited. (Cf. note 89.)

101. Cf. Reichsbank statute, section 24. No business instructions have so far been issued. (Cf. notes 80 and 90.)

102. The elected supervisors must be consulted only in case of section 35. Concerning the examination of the annual report, see Reichsbank statute, section 14. (Cf. above note 93.) Concerning their obligation, see Bank Act, section 39.

103. Cf. especially Bank Act, section 13, and statute, sections 10 and 11.

104. This is the condition under which the organs of the stock owners of the bank are called upon to exercise an effective control instead of merely expressing an opinion (sec. 32). The state governments can have no more privileges than private business men. The provision is of fundamental significance for the independence of the Reichsbank in fiscal matters.

105. Cf. section 12, paragraph 3.

106. Sixteen local main offices were sanctioned by the Imperial Chancellor on the 17th of December, 1875, according to sections 36 and 37.

Later additions to the list of local main offices are the former Reichsbank offices at Dantzig (proclamation of the Imperial Chancellor of the 24th of April, 1879), at Kiel (proclamation of the Imperial Chancellor of the 25th of July, 1891), and at Dresden (proclamation of the Imperial Chancellor of the 19th of December, 1902).

Cf. also the proclamation of the Reichsbank board of directors of the 1st of January, 1876, in regard to the beginning of the activity of the Reichsbank offices.

The Reichsbank was opened with 201 branches. By the end of April, 1905, their number reached 429.

107. At present this is the case in all 19 local main offices.

108. Cf. section 40, No. 7. Concerning the proceedings, see Reichsbank statute, section 29, paragraph 2. Concerning the number and eligibility of members, see statute, sections 27 and 28.

109. The last provision has no practical significance.

110. Cf. section 40, No. 7. Concerning the proceedings, see the Reichsbank statute, section 29, paragraph 2. Concerning eligibility, see ibid., section 28. Concerning their obligation, see Bank Act, section 39.

111. Cf. Reichsbank statute, section 29, paragraph 1, and note 107 above.

112. To the Reichsbank offices named in the proclamation of the 17th of December, 1875 (note 106), are to be added the bank offices which have been established from former subinstitutions in the following places: at Stolp (16th of May, 1877); at Cottbus (9th of November, 1883); at Cöslin (19th of June, 1889); at Duisburg (22d of March, 1892); at Wiesbaden (30th of March, 1894); at Bochum (16th of September, 1896), at Darmstadt (11th of March, 1897); at Plauen, Bavaria (17th of March, 1897); at Hildesheim (8th of June, 1898); at Ulm (8th of September, 1898); at Friedberg, Bavaria (29th of May, 1889); at Schweidnitz (3d of January, 1900); at Allenstein (6th of January, 1900); at Insterburg (6th of January, 1900); at Barmen (8th of February, 1900); at Fulda (15th of May, 1900); at Mülheim (Ruhr) (15th of January, 1900); at Würzburg (17th of January, 1901); at Brandenburg (4th of March, 1901); at Altona (29th of August, 1901); at Kreuznach (13th of January, 1903); at Halberstadt (13th of January, 1903); at Zwickau (14th of April, 1903); at Hamm (8th of January, 1904); at Lissa (5th of April, 1904); at Remscheid (8th of September, 1904).

The Reichsbank offices in Dantzig, Kiel, and Dresden were turned into Reichsbank local main offices (Cf. note 106).

113. At the present time (end of April, 1905) there are 330 Reichsbank secondary offices and 13 merchandise depots (chiefly for the convenience of loans on pledges). In the larger secondary offices the director has at least one and sometimes more than one assistant.

114. Particularly within the business circle of the Reichsbank main office.

115. This does not include the secondary offices, which are to serve in the main for the convenience of business. They are, however, receiving more authority from the Reichsbank management to assume business obligations.

116. The provision is contained in the proclamation of the Imperial Chancellor of the 27th of December, 1875:

"On the basis of section 38 of the Bank Act of the 14th of March, 1875, it is hereby announced that the Reichsbank is to be responsible for the signature of a Reichsbank secondary office in all cases, and even where the law requires especial authority, whenever this signature is given by the two directors of the bank office, or their representatives. The names of the directors and their representatives, as well as the signatures of the same, shall be exhibited in the business room of the bank office.

"BERLIN, *27th of December, 1875.*

"(Signed) VON BISMARCK,
"The Imperial Chancellor."

117. This does not apply to the secondary offices (see note 115.)

118. The provision accords with section 13, paragraph 1, of the "Zivilprozessordnung." (Cf. also ibid., sec. 21, formerly sec. 22.) In general, the Reichsbank is within the jurisdiction of the court of Berlin (sec. 12, par. 2).

119. Cf. section 33, paragraph 2; section 34, paragraph 4; section 36, paragraph 3.

120. Concerning the significance of the "statute," see note 1. It is changed in several points by the ordinance of the 3d of September, 1900, and supplemented by the ordinance decreed on the basis of section 40, "concerning the salaries and securities of the Reichsbank officials" (see note 83), as well as by the ordinance decreed on the basis of sections 28 and 40, "concerning the provision for the widows and children of the Reichsbank officials."

121. Cf. Reichsbank statute, section 23.

122. Cf. ibid., sections 4–6; also ibid., section 7.

123. Cf. ibid., sections 8 and 9.

124. Cf. ibid., sections 12 and 13; also ibid., section 14; and Bank Act, section 8, paragraphs 3 and 4.

125. Cf. Reichsbank statute, section 15.

126. Cf. ibid., sections 16–22, and 30. The words "three hundred," instead of "one hundred," and the sentence following them became necessary after the issue of bank shares of 1,000 marks, according to article 1 of the law of the 7th of June, 1899 (see above, note 74), and were added by the Reichstag commission. The change has been ordered in article 4 of this law which reads:

"Section 40, No. 6, is amended by the following provision:" (here follows the above text). Cf. also Reichsbank statute, section 17.

127. Cf. ibid., sections 22–29.

128. Cf. ibid., section 30.

129. Cf. ibid., section 31.

130. Cf. ibid., sections 2 and 31.

131. Cf. Bank Act, section 13, No. 6, and the Reichsbank statute, No. 10.

132. No use has yet been made of this notice either at the expiration of the first period, after which the change of section 24 proposed by the administration (in accordance with the law of the 18th of December, 1889) had taken place, or within the second period, which, according to the law of the 7th of June, 1899, terminated on the 31st of December, 1899 (see above note 74).

The bill originally accepted in the Reichstag commission of 1899, in regard to the extension of the period to the 1st of January, 1921, and thereafter to periods of from twenty to thirty years, was rejected at the third reading (Report of the Commission, pp. 45 ff.), and was never again taken up by the Reichstag.

133. Cf. sections 3 and 6, paragraph 4, of the Reichsbank statute. Since the reserve fund exceeded the legal amount of 60,000,000 marks (see sec. 24, No. 2), the shareholders would receive 212,406,806.87 marks, or 118 per cent (see par. 2).

The question of the so-called state ownership (*b*) was taken up from many points of view in the Reichstag discussion of the bills mentioned in notes 74 and 75, but the matter was dropped by a majority both in 1889 and 1899. (See Stenographic Report of 1889–90, pp. 191 ff., 577 ff., 628–630; Report of 1899, pp. 696 ff., 721 ff., 749 ff., 1965 ff., 1993 ff.; Report of the Commission, p. 9.)

134. The provision is not clear. According to the history of its origin (see Report of the Commission of 1874, pp. 52–55) it was thought that the Empire could not renew the privilege of the Reichsbank without the consent of the Reichstag, this consent being tacitly understood or expressed in a properly accepted bill or resolution (cf. notes 74, 75, and 132). The provision was expounded in this manner at the expiration of the past two periods. A vain effort has been made in the Reichstag commission of 1899 to change paragraph 3 (see Report of the Commission, p. 46).

135. The system adopted in the Act with respect to private note banks is as follows:

First. The Act contains certain provisions which were unconditionally applicable to all note banks. These general provisions deal with bank notes (secs. 2–6, 9, and 10); with bank transactions (sec. 7); with the obligation to issue certain publications or information (sec. 8, and the law of the 21st of December, 1874); with restrictions on changes in the statutes, etc. (sec. 47); and with compliance to the supervision of the Imperial Chancellor (sec. 48).

Second. The Act contains certain restrictions (secs. 42 and 43) arising from the invalidity of the note privilege beyond the territory of the State granting it, which restrictions the bank could remove by complying with certain other limitations provided in the act, on or before the 1st of January, 1876 (secs. 44–46).

136. The private note banks which are still in existence are not exempt from these limitations. (Cf. sec. 45, note 159; see also note 2; sec. 44, pars. 3 and 4; sec. 45, par. 2, No. 1; secs. 48 and 50, par. 1, No. 2; and the penal provision of sec. 58.)

137. Cf. note 135.

138. This restriction is at present applied only to the Brunswick Bank. (Cf. sec. 45, and notes 159 and 160.) The other banks are exempt from it. Further cf. sections 44, 48, and 50, paragraph 1, No. 3; section 54; and the penal provision in section 56. Civil law does not deprive the transaction of its validity. Section 43 applies also to paper money of section 54.

139. Cf. note 38.

140. Cf. note 51 and section 44, paragraph 4, as well as section 46.

141. Cf. section 13, No. 3.

142. Cf. section 15, and note 156.

143. As in section 24, No. 2. On the banks which are exempt from this restriction, see section 44, paragraph 4, and note 159.

144. This is in accord with section 17. (Cf. sec. 46.)

145. The provisions are stricter for the redemption at the main office. (Cf. secs. 4 and 18; also sec. 45, par. 1, No. 2; par. 2, No. 2; secs. 46, 47, and 50, par. 1, No. 3*b*.)

Besides Berlin or Frankfort (Main) there are still other redemption offices. (Cf. sec. 50, No. 3*c*.)

146. Cf. note 67. The Reichsbank must conform to this obligation, even in the city where the issuing bank is located. (See sec. 19, note 58.) The duty of private banks to accept notes can be enforced by civil law.

147. Cf. section 46, paragraph 1.

148. Cf. section 1 and note 2.

149. Cf. section 2 and note 4.

150. Cf. the law of the 27th of March, 1870, section 3.

151. No use has yet been made of this authority. (Cf. sec. 41.)

152. No mention is made of partnership with other banking houses.

153. This is a limitation of the exemption from the restrictions of section 42.

154. The banks named in paragraph 4 are not subject to any such procedure, if they comply with the required conditions. The number of banks which have submitted their reports can not be ascertained from the proclamations. (Cf. note 159.)

155. Cf. note 154.

156. Cf. section 44, paragraph 1; section 45, paragraph 2, No. 1.

157. The final sentence was added by the Reichstag.

Use has been made of the authority in so far as to permit individual private banks to make loans up to a certain maximum amount upon some papers, otherwise legally not loanable.

158. Cf. section 44, paragraph 1, No. 4.

159. As the result of this provision proclamations have been issued concerning the applications of sections 42 and 43 of the Bank Act of the 14th of March, 1875, on the 29th of December, 1875; the 7th of January, 1876; the 3d of September, 1879; and the 27th of February, 1883. These proclamations also contained the necessary provisions concerning the redemption offices. All existing private note banks, with the single exception of the Brunswick Bank, are not subject to the limitations of note circulation (sec. 43). The older statutes of these banks have been entirely changed, partly as the result of the Bank Act, partly as the result of the Stock Act of 1884. Further changes took place in 1899 and 1900 in the five private banks still existing, which were the result of the "Bürgerliches Gesetzbuch," or of the "Handelsgesetzbuch," and of the Bank Act of 1899.

An important supplementary provision is contained in the following law of the 7th of June, 1899 (see above, note 74):

"ARTICLE 7.

"SEC. 2. The Bundesrat shall, on the 1st of January, 1901, exercise its right of revoking the privilege of note issue of those private note banks which are now exempt from the restrictions of section 43 of the Bank Act, if they have not bound themselves by the 1st of December, 1899, to the following:

"First. That on and after January 1, 1901, they will not discount below the Reichsbank rate announced according to section 15 of the Bank Act, whenever it reaches or exceeds 4 per cent.

"Second. That they will in no case discount more than one-fourth of 1 per cent below the Reichsbank rate announced according to section 15 of the Bank Act; and, in case the Reichsbank itself discounts at a lower than its announced rate, the reduction below this new rate shall not exceed one-eighth of 1 per cent.

"SEC. 3. If a private note-issuing bank disregards the obligation imposed in section 2, its right of issue shall be revoked by judicial order, as indicated in sections 50 ff. of the Bank Act.

"Members of the board of directors, representatives of the branch offices, or other functionaries and agents of a bank, who disregard their regulations and discount below the rate permitted in section 2, for the account of the bank, shall be punished by a fine not exceeding 5,000 marks."

In order to prevent the discount policy of the Reichsbank from being superseded by that of the private note banks (see sec. 15), the government bill of 1899, article 5, proposed to prohibit the latter banks from discounting under the rate of the Reichsbank. This bill was opposed at the first reading in the Reichstag (Stenographic Report, pp. 727 ff.) and then thoroughly debated in the commission. The discussion resulted in the provision contained in the above articles, which was based on a provision concerning the private discount of the Reichsbank itself (Art. 7, sec. 1; see above, sec. 15, note 57). A vain effort was made to remove the limitation, wholly or in part, in the interest of the private note banks. (See Stenographic Report, pp. 1978 ff. and 2002 ff.)

The private note banks are, therefore, unconditionally bound only when the Reichsbank discount rate (as a result of scarcity of money or because of other reasons) is not lower than 4 per cent; otherwise they may discount only one-fourth of 1 per cent below the official rate of the Reichsbank. If the Reichsbank itself discounts at a private rate—that is, at a lower rate—the reduction may not be more than one-eighth of 1 per cent.

Thus the point which the Reichsbank was formerly seeking to attain by agreement with the private note banks became legally established and secured by the penal provision.

The penal provision in paragraph 2 includes also "other functionaries;" that is, a wider personnel than that included in section 58; it also applies, though indirectly, to evasions of the law by the so-called method of repayment (*Rückvergütung*) of a part of the discount.

The required proof was submitted at the proper time by all private note banks.

160. The Brunswick Bank is the only one of the existing private note banks that did not comply with this requirement. Its privilege lasts—without being subject to recall—until the 11th of May, 1952. (Cf. sec. 47, par. 2.) The other banks not mentioned in the proclamation (note 159) surrendered their right of issue. (Cf. sec. 9, note 26.)

161. This was the case with the note banks in the older Prussian provinces. (Cf. also the law of the 27th of March, 1870, sec. 4.)

162. Such consent was given to various Prussian note banks which are no longer in existence. The provision applies to all private note banks without exception. Concerning the application of section 47 to the paper money of section 54, see ibid.

163. As the result of an agreement with the Bavarian *Hypotheken und -Wechselbank* of the 20th of March, 1875, the latter relinquished its right of note issue in favor of the newly founded Bavarian Note Bank, which complied with the provisions of section 47, Nos. 1–7. (Cf. Proclamation of the 29th of December, 1875, No. 7.) The corresponding change in the law is contained in the Bavarian law of the 15th of April, 1875.

164. Cf. section 45. Section 48 applies to all note banks, including the Brunswick Bank.

165. So far this has happened only once in 1901, in the case of the Bank of South Germany, which subsequently closed its doors.

166. Cf. section 44, No. 7; sections 46 and 47, paragraph 1.

167. Cf. section 9, paragraph 2; section 19, paragraph 2; and sections 32 ff.

168. Cf. sections 50–53.

169. Cf. section 44, No. 3; section 47. Section 44, paragraph 4, applies here also. (See Stenographic Report of the Reichstag of 1874–75, p. 1390.)

170. Cf. section 44, paragraph 4; section 47, paragraph 3; sec. 48.

171. This was added by the Reichstag commission to prevent evasions.

172. There is then a gradation of offices beginning with the main office (sec. 4) down to statutory redemption offices which are organized by the bank, and some of which are obligatory.

173. A fifth case is provided for in article 7, section 3, paragraph 1, of the law of the 7th of June, 1899. The provision of paragraph 2 is not considered in section 101 of the "Law for the Organization of Courts" (*Gerichtsverfassunggesetz*) of the 27th of January, 1877. These charges belong, therefore, to the civil courts. The provision, however, keeps its significance in so far as the competence of the imperial court may not be removed by state legislation.

174. Cf. section 6, paragraphs 4 and 5, notes 10 and 11.

175. The provision concerns the so-called corporation or municipal paper money. (Cf. also Coinage Law, art. 18, par. 2.) Individual municipalities, associations, etc., have the same privilege, as, for example, the

Landständische Bank in Bautzen, which discounts no bills, and therefore is not to be included among the note banks. The right of issue has been recently withdrawn. (See above, note 11.) The paper money of the city of Hannover was withdrawn in 1893. (Cf. secs. 56, 57, and 59, par. 2.) Concerning foreign bills of this kind, cf. sections 11 and 57.

176. Cf. sections 1, 16, 42, 43, 44, paragraphs 4, 46, 47, 48, 49, and 54.

177. Cf. section 54.

178. Only the criminal courts are competent for these cases, according to section 74, No. 5, of the "Law for the Organization of Courts."

179. Cf. note 176.

180. Cf. section 54.

181. Cf. note 1.

182. Cf. the treaty concerning the transfer of the Bank of Prussia to the German Empire, of the 17th and 18th of May, 1875.

183. All unexchanged certificates of stock (a total face value of 60,243,000 marks) were negotiated; and of these, 20,000 shares by means of public subscription. Cf. the Proclamation of the Imperial Chancellor of the 24th of May, 1875.

Eighty-one shares which were not exchanged for Reichsbank shares were sold on the exchange. No use has been made of the authority given in sections 62 and 72; sections 63–65 have never been applied.

Concerning the 60,000 shares (art. 8) which were sold according to article 1 of the law of the 7th of June, 1899, see note 74.

184. This provision was added at the second reading by the Reichstag to avoid ambiguity and vagueness. (Cf. sec. 12, note 34.)

APPENDIX TO SECTION 9.

No.	Name of bank.	Uncovered note circulation.
		Marks.[a]
1	Reichsbank	250,000,000
2	Ritterschaftliche Privatbank in Pommern	1,222,000
3	Städtische Bank in Breslau	1,283,000
4	Bank des Berliner Kassenvereins	963,000
5	Kölnische Bank	1,251,000
6	Magdeburger Privatbank	1,173,000
7	Dantziger Privat-Aktienbank	1,272,000
8	Provinzial-Aktienbank des Grossherzogtums Posen	1,206,000
9	Kommunalständische Bank für die preussische Oberlausitz (Görlitz)	1,307,000
10	Hannoverische Bank	6,000,000
11	Landgräflich hessische konzessionierte Landesbank	159,000
12	Frankfurter Bank	10,000,000
13	Bayerische Banken	32,000,000
14	Sächsische Bank zu Dresden	16,771,000
15	Leipziger Bank	5,348,000
16	Leipziger Kassenverein	1,440,000
17	Chemnitzer Stadtbank	441,000
18	Württembergische Notenbank	10,000,000
19	Badische Bank	10,000,000
20	Bank für Süddeutschland	10,000,000
21	Rostocker Bank	1,155,000
22	Weimarische Bank	1,971,000
23	Oldenburgische Landesbank	1,881,000
24	Braunschweigische Bank	2,829,000
25	Mitteldeutsche Kreditbank in Meiningen	3,187,000
26	Privatbank zu Gotha	1,344,000
27	Anhalt-Dessauische Landesbank	935,000
28	Thüringische Bank (Sondershausen)	1,658,000
29	Geraer Bank	1,651,000
30	Niedersächsische Bank (Bückeburg)	594,000
31	Lübecker Privatbank	500,000
32	Kommerzbank in Lübeck	959,000
33	Bremer Bank	4,500,000
	Total	385,000,000

[a] The shares of 2–12, 15–17, 20–23, and 25–33 have accrued to the Reichsbank (see sec. 9, note 26).

II. THE REICHSBANK STATUTE OF MAY 21, 1875.[1]

We, William, by the grace of God, German Emperor, King of Prussia, etc., on the ground of section 40 of the Bank Act of the 14th of March, 1875, and with the consent of the Bundesrat, ordain, in the name of the German Empire, the following:

STATUTE OF THE REICHSBANK.

SECTION 1. The Reichsbank is to begin operations on the 1st of January, 1876.

On this date all rights and duties of the Bank of Prussia shall pass to the Reichsbank.[2] The Bank of Prussia is to cease its operations on the 31st of December, 1875, according to the treaty[3] between the Empire and Prussia of the 17th and 18th of May of that year.

SEC. 2. The capital of the Reichsbank is to be fixed at 180,000,000[4] marks, 120,000,000 marks of which is to be realized according to the Bank Act of the 14th of March, 1875: (1) from the advanced capital of those stockholders of the Bank of Prussia who exchanged their shares for those of the Reichsbank within the period designated by the Imperial Chancellor;[5] (2) from the cash realized from the new bank shares at the face value of 3,000 marks each.[6]

The remaining 60,000,000 marks were to be procured, according to article 1 of the Law of the 7th of June, 1899,

from the cash payments for the 30,000 shares of stock which had to be sold by the 31st of December, 1900, and for the 30,000 shares which had to be sold by the 31st of December, 1905, at the face value of 1,000 marks each.[7]

Any further increase of the capital can be legally permitted only after the general meeting of the stockholders, following the vote of the central committee, has found such an increase indispensable, and after it has decided upon the new distribution of the earnings of the Reichsbank between the shareholders and the Empire, which would necessarily follow such an increase (sec. 24 of the Bank Act).[8]

SEC. 3. The Reichsbank shares are indivisible; and, except in so far as the regulations of section 41 of the Bank Act provide to the contrary, are also irredeemable. They are registered in the books of the Reichsbank, with a record of the owner's name, business, and residence.[9] A formal certificate of stock is drawn for each share, and, together with the latter the owner receives dividend coupons for the next five years, and a talon (dividend warrant) guaranteeing new dividend coupons at the expiration of the five-year period.[10] The dividend coupons and the talon are issued to bearer on prescribed blanks, the forms of which are printed below.[11]

SEC. 4. If a bank share is transferred, notice is to be given to the Reichsbank, together with the presentation of the certificate of stock, and the transfer is to be recorded in the stock books, as well as in the certificate of stock.

The Reichsbank considers as shareholders only those persons who are registered as such in the stock books.[12]

The Reichsbank has the right, but is not required, to investigate the genuineness of ownership.[13]

SEC. 5. Bank shares can be transferred by indorsement. The form of the indorsement is regulated by the provisions of articles 11 to 13 of the "Wechselordnung." [14]

SEC. 6. If a bank share is mortgaged, a written statement is to be made to the Reichsbank by the owner, who is also to present the certificate of stock at the Reichsbank office.[15] The mortgage is then recorded in the stock books and a notice is made in the certificate of stock. The Reichsbank considers as mortgagees only those persons who are registered as such in the stock books, and has the right, but is not required, to investigate the genuineness and validity of the statement.

The owner can receive no new dividend coupons, and, in case of section 41 of the Bank Act, no payments on the bank shares, without the consent of the mortgagee; but he is not otherwise restricted in rights granted to him by the Bank Act and statute.

The mortgage is canceled by presenting to the Reichsbank the certificate of stock and the certified consent of the mortgagee.

SEC. 7. The fee for recording transfers or mortgages of bank shares is to be fixed by the Reichsbank board of directors, with the assent of the central committee.[16]

SEC. 8. Lost or destroyed certificates of stock can be declared void by means of publication (*Aufgebotsverfahren*), which process is to be regulated by the provisions of section 799, paragraph 2, and section 800 of the "Bürgerliches Gesetzbuch," by the provisions of the "Zivilpro-

zessordnung," concerning the process of declaring documents void, as well as by the following stipulations:

The proceedings of invalidation can be carried on solely in the court of the district where the office of the Reichsbank board of directors is located.

Public announcement must be made of the invalidation according to the provisions of sections 1009 and 1017 of the "Zivilprozessordnung;" a single notice must also be printed in those papers which are designated for announcements by the Imperial Chancellor in case of invalidation of imperial bonds.

An official list of the certificates of bank stock which have been declared void during the year is to be announced annually by the Reichsbank board of directors in the above-indicated papers, as well as by means of placards on the exchanges in Berlin, Hamburg, Frankfort (Main), and Munich.

Judicial proceedings which were begun before the 1st of January, 1901, for the purpose of invalidating certificates of stock are to be conducted according to the foregoing provisions.[17]

SEC. 9. Proceedings of invalidation (*Mortifikationsverfahren*) can not be instituted on account of mislaid or destroyed dividend coupons and talons; nor is the Reichsbank obliged, on proof of the loss, to issue new coupons and talons or to pay out the corresponding amount. However, if the loss of a dividend coupon is reported to the Reichsbank board of directors before it is canceled (sec. 24 of the Bank Act), the bank may allow payment[18] at the expiration of the legal period after maturity, if the

dividend coupon has not been presented and redeemed in the meantime. If notice is given of the loss of a talon, the presentation of the certificate of stock is equivalent to the delivery of the former.[19]

SEC. 10. Securities may be purchased for the account of other persons only after the money necessary for the purchase has been deposited with the bank or has been guaranteed by a deposit of securities (sec. 13, art. 3, of the Bank Act).[20] Likewise, goods which are to be sold on commission must first be received by the bank.

If the purchase or sale of securities is for the account of a public authority,[21] a statement to the effect that the money or securities are at the disposal of the bank is adequate.

SEC. 11. The Reichsbank is required to take charge of the imperial deposits without compensation (sec. 22 of the Bank Act), and also to keep records of the sums received and disbursed for the accounts of the Empire.[22]

SEC. 12. The property acquired from the Bank of Prussia is to be recorded in the report which is drawn up for the 1st of January, 1876, at the value of 12,000,000 marks. The costs arising from the use of the property for the time between April 1 and December 31, 1875, are also to be added.[23]

SEC. 13. The following instructions are to be observed in drawing up the annual report:[24]

1. The value of current securities is to be recorded not higher than their exchange value at the time of the preparation of the report.

2. The expenses of issuing bank notes are the only costs of the administration and the management, which may

be distributed over a period of several years. All other costs are to be entered fully in the annual account under the head of expenses.

3. The stock and the reserve fund are to be entered as liabilities.[25]

4. After the balances of total assets and total liabilities have been compared, the annual profit or deficit must be stated at the end of the report.

SEC. 14. The annual report is to be audited by the deputies, who must have at their disposal all the books of the Reichsbank, and who must hand in their account to the central committee.[26]

The latter is to pass judgment on the report, as well as on the amount of dividends to be allotted to the stockholders. The Reichsbank board of directors is to be notified of the decision of the central committee, which must be ratified by all the members present at the meeting.[27]

SEC. 15. The dividend is to be paid on and after the 1st of April of the following year at the Reichsbank main treasury and at all the Reichsbank local main offices and Reichsbank local offices [28] on presentation of dividend coupons.

Semiannual payments of 1¾ per cent may be made with the consent of the central committee on the 1st of July and the 2d of January.[29]

SEC. 16. The general meeting of the stockholders (sec. 30 of the Bank Act) represents the whole body of stockholders of the Reichsbank.

Every adult male shareholder may participate in this meeting, if by a certificate deposited in the archives of

the Reichsbank at least one day previous to the meeting he can prove that he is entered in the books of the Reichsbank as an owner of shares. The certificate must state the face value of the shares which he owns.[30]

Entries in the books of the Reichsbank made less than fourteen days before the general meeting of the stockholders are not counted.

Public officials, legal persons, associations,[31] minors, and unfranchised persons may participate through their representatives; married women, through their husbands.

Only those persons who are themselves entered as stockholders in the books of the bank are permitted to act as proxies upon presentation of credentials signed by a court or notary.[32] One person is not allowed to represent more than one shareholder.[33]

SEC. 17. The number of votes which each person has is determined by the face value of his bank shares; each share of 1,000 marks entitles him to one vote. No shareholder may have more than 300 votes.[34]

Questions are decided by a simple majority of votes. In case of a tie, the conclusive vote is cast by that person whose amount of bank shares has the highest nominal value.

SEC. 18. The general meeting of the stockholders is to take place in Berlin, every year, in March; but special sessions may be called at any time. Fourteen days' notice before the meeting is to be given by the Imperial Chancellor through public announcement in the designated newspapers (sec. 30).

SEC. 19. The Imperial Chancellor or his deputy,[35] and in their absence the president of the Reichsbank board of directors, is to preside over these meetings, which must also be attended by the Reichsbank board of directors. The members of the board may participate in the discussions, but have no vote.

SEC. 20. Minutes of the proceedings are to be taken by a member of a Reichsbank board of directors, and signed by the president and a member of the central committee, two Reichsbank shareholders, and the secretary.

SEC. 21. A report concerning the management, as well as the balance of profits (sec. 32*a* of the Bank Act), is to be submitted every year to the general meeting of the shareholders. The latter is to elect, as well as to remove, members of the central committee (secs. 31 and 33 ibid.); and is also to render decision concerning an increase in the capital (sec. 2 of the Statute), or changes in the statute of the bank, if these matters are expressly mentioned in the notice for the meeting.

A special general meeting can take action only on matters which were expressly mentioned in the notice for that meeting.[36]

SEC. 22. Members of the central committee, as well as their deputies (sec. 31 of the Bank Act), are to be elected by secret ballot for each particular office.

An officer is declared elected only if he has an absolute majority of all votes cast.

If there is no absolute majority upon the second ballot, the two candidates receiving the greatest number of votes

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are to be voted upon. In case of a tie, election shall be decided by drawing lots.

Only men are eligible for election.

Of several shareholders belonging to one business firm, only one can act as a member of the central committee or as a deputy.

SEC. 23. The one-third of the central committee (sec. 31, par. 1, of the Bank Act) who are to resign each year shall do so the first two years by lot, and thereafter according to priority of election.

SEC. 24. In the election of supervisors of the central committee and their deputies (sec. 34 of the Bank Act), each member has only one vote. In all other respects the election is regulated by the provision of section 22.

SEC. 25. The minutes of the proceedings of the central committee are to be signed by the president, two members of the committee, and the recording secretary of the Reichsbank board of directors (see sec. 20).

SEC. 26. The members of the Reichsbank board of directors may participate in the discussions of the central committee, but have no vote.

SEC. 27. The district committees (sec. 36 of the Bank Act) are to consist of at least four and of not more than ten members, of whom one-half are to resign annually—the first year by lot, and thereafter according to priority of election. The resigning members are eligible for reelection.

SEC. 28. Stockholders, who, according to section 22, paragraphs 4 and 5, are not eligible for the central committee, can not be elected as members of the district committees or as their deputies (sec. 36 of the Bank Act).

SEC. 29. When the members and deputies of the district committees are to be nominated by the central committee (sec. 36 of the Bank Act), the names of the eligible stockholders are marked on the list prepared by the bank commissioner and placed before the central committee.

The election of deputies by the district committees is governed by the provisions of section 24.

SEC. 30. The announcements intended for the shareholders will be proclaimed by the Imperial Chancellor, and published in the "Deutscher Reichsanzeiger" as well as in the newspaper designated for that purpose [37] in each city where the Reichsbank main offices are located. Special announcement for individual stockholders is not required.

The same newspapers are to be used for the public announcements of the Reichsbank board of directors, whenever their aim is not solely one of local interest.

SEC. 31.[38] In case of the discontinuation of the Reichsbank (sec. 31 of the Bank Act), the Reichsbank board of directors is to liquidate its affairs under the direction of the Imperial Chancellor. The board of directors is to close the current business, to fulfill the obligations of the Reichsbank, to collect its loans, and to sell its property.

New transactions may be made if they are necessary for the liquidation of the current business. The Reichsbank board of directors is authorized to represent the Reichsbank, according to section 38 of the Bank Act, until the liquidation is completed.

SEC. 32. The Reichsbank board of directors is to settle whatever differences may arise between the Empire and the stockholders.

SEC. 33. The first regular general meeting of the Reichsbank shareholders is to be held in March, 1877. Until that time the functions of the general meeting of the shareholders will be performed by an assembly consisting:

1. Of those shareholders of the Bank of Prussia who have exchanged their shares for Reichsbank shares within the period designated by the Imperial Chancellor, or of their legal heirs.

2. Of those persons who have subscribed to Reichsbank certificates of stock or their legal heirs.

This assembly is to take place before the 1st of January, 1876, for the purpose of electing the central committee, but it may be called at any time before the first regular general meeting of the shareholders. The central committee is to meet before the 1st of January, 1876, and elect from among its members the supervisors and their deputies. The members of the district committees and their deputies are also to be elected before the 1st of January, 1876, from among the persons indicated in 1 and 2.

SEC. 34. This temporary representation of the Reichsbank shareholder as ordered in section 33 is to be regulated by those provisions of the Bank Act and of this statute which deal with the general meetings of the shareholders, the central committee and its deputies, and the district committees and their deputies.

Issued over our imperial signature and seal.

Given at Berlin, the 21st day of May, 1875.

(Signed) WILLIAM.

PRINCE VON BISMARK.

To the order of_____ _____Date_____ Transferred to_____ _____ Berlin_____ Date_____ REICHSBANK BOARD OF DIRECTORS. (Signed.) Registrar_____ Bookkeeper_____	
To the order of_____ _____ Date_____	

FORM OF A REICHSBANK CERTIFICATE OF STOCK OF 1,000 MARKS.

REICHSBANK CERTIFICATE OF STOCK.

No. --------

Reichsbank share No. ------ for 1,000 marks is registered in the books of the Reichsbank, according to section 3 of the statute of the Reichsbank, on the name of----------

Berlin---------- Date----------

REICHSBANK BOARD OF DIRECTORS,

(Signed) Registrar----------

Bookkeeper----------

PROVISIONS CONCERNING THE METHODS OF TRANSFERRING AND MORTGAGING THE SHARE.

1. The Reichsbank share can be transferred by indorsement, either by filling out one of the prescribed blanks, a form of which is attached here, or by merely affixing the signature.

2. If a bank share is transferred, notice is to be given to the Reichsbank together with the presentation of the certificate of stock. The Reichsbank considers as shareholders only those persons who are registered as such in the stock books.

The Reichsbank has the right, but is not required, to investigate the genuineness of ownership.

A note of the transfer is to be made on the certificate of stock, which is then to be returned to the owner, while the other documents remain in the archives of the bank.

3. If a bank share is mortgaged, a written statement is to be made to the Reichsbank by the owner, who is also to present the certificate of stock at the Reichsbank office.

The Reichsbank considers as mortgagees only those persons who are registered as such in the stock books. The Reichsbank has the right, but is not required, to investigate the genuineness and validity of the statement. The owner can receive no new dividend coupons and, in case of section 41 of the Bank Act, no payment for the bank share without the consent of the mortgagee; but he is not otherwise restricted in rights granted to him by the Bank Act and the statute. The mortgage is canceled by presenting to the Reichsbank the certificate of stock and the certified consent of the mortgagee. In other particulars the regulations of provision 2 are to be observed.

NOTES ON THE REICHSBANK STATUTE.

1. The "Statute" of the Reichsbank has only a remote similarity to the statute of a stock company. As a supplement to chapter 2 of the Bank Act of the 14th of March, 1875, it contains provisions in regard to the Reichsbank which might just as well have been contained in the Act itself. This arrangement, however, is plausible because it relieves the Act from detailed provisions which are for the most part regulative (cf., e. g., secs. 10, 11, and 13), and which have little to do with the relations of the bank shareholders, and also because it renders a supplement possible in a more convenient form. With regard to the latter, cf., for example, Bank Act, section 40, and note 120. Concerning the change of the statute, cf. section 21, ibid. Such a change has taken place as a result of the law of the 7th of June, 1899, upon the imperial decree and in conjunction with the Bundesrat, on the 3d of September, 1900. This decree ordered that a series of sections of the statute be amended, and such amendment was approved by the general meeting of the shareholders on the 19th of March, 1900. The preamble of the ordinance reads:

"We, William, by the grace of God, German Emperor, King of Prussia, etc., ordain, in the name of the Empire, in accordance with section 40 of the Bank Act of the 14th of March, 1875, and with the consent of the Bundesrat, the following:

"After the 1st of January, 1901, the version of sections 2, 3, 8, 15, 16, and 17, of the Statute of the Reichsbank of the 21st of May, 1875, shall be:

(Then follow the above-mentioned new paragraphs.)

"Issued over our imperial seal and signature.

"Given at the New Palace on the 3d of September, 1900.

"(Signed) WILLIAM.

"Graf POSADOWSKY."

2 On this occasion the following proclamation of the Imperial Chancellor was issued:

"According to section 1 of the statute of the Reichsbank of the 21st of May, 1875, the Reichsbank shall commence operations on the 1st of January, 1876, and, on the same day, all rights and duties of the Bank of Prussia, which will cease its activity on the 31st of December, 1875, according to the agreement between Prussia and the Empire concluded on the 17th and 18th of May, 1875, shall be transferred to the Reichsbank.

"After the 1st of January, 1876, all notes issued by the Bank of Prussia over the signature of the Royal Prussian Board of Directors, including those in the thaler standard, as well as those in the imperial standard, are to be considered in all legal relations as notes of the Reichsbank.

"(Signed) VON BISMARCK,

"The Imperial Chancellor.

"BERLIN, *the 16th of December, 1875.*"

3. Especially section 1, paragraphs 2–4, ibid.

4. Cf. Bank Act, section 23.

5. Cf. Bank Act, section 61, No. 3, and the proclamation of the Imperial Chancellor of the 24th of May, 1875.

6. The changes in paragraph 1 are necessary because of the increase of the capital and the issue of shares of 1,000 marks which has taken place according to the law of the 7th of June, 1899. These changes are: "180,000,000 marks" instead of "120,000,000 marks;" the phrase "of which 120,000,000 marks is composed, according to the Bank Act of the 14th of March, 1875," and the insertion of the words "of three thousand marks" after "new bank shares." Instead of "face value" it was formerly called "nominal value."

Concerning the sale of bank shares which are paid up, cf. note 74 of the Bank Act.

7. Paragraph 2 was inserted after the ordinance of the imperial decree of the 3d of September, 1900. (See above note 1.)

Concerning the sale of the new 1,000-mark shares, see above, note 74 (note-bank legislation).

8. Cf. Bank Act, sections 30 and 32, notes 87 and 93.

9. Cf. "Handelsgesetzbuch" of 1897, section 222.

10. Cf. section 9 below.

11. Cf. Bank Act, section 24, paragraph 4. This regulation is based on the law of the 7th of June, 1899, according to which formal blanks are also to be used for the certificates of 1,000 marks.

The new certificate of stock, according to schedule 1*a* of the imperial stamp duty of the 14th of June, 1900, are subject to stamp duty of 2 marks per 100 of the face value besides the premium. This duty is also imposed on interim certificates for the receipted amounts. The express assessment of the Reichsbank shares rests on a decision of the Reichstag commission (Report of the Commission No. 870 of the documents, pp. 16 and 17).

Indorsements of transfers made on federal stamp-taxed paper and entered in the stock books are exempt from additional (federal and state) taxes (Imperial Stamp Law, sec. 4). The shares issued before the 1st of July, 1900, are subject to the old law (sec. 5, ibid.).

12. See section 6, paragraph 2; section 16, paragraphs 2, 3, and 4.

13. Cf. "Handelsgesetzbuch" of 1897, section 223.

14. The consent of the creditor or the mortgagee and the transfer of the indorsed paper are necessary ("Bürgerliches Gesetzbuch," sec. 1292).

15. Cf. ibid., section 222.

16. A fee of 3 marks is fixed by the law of the 4th of January, 1876; but if more than one share is simultaneously transferred or mortgaged by the same owner to the same transferee or mortgagee, a fee of 1 mark is imposed on the second and each succeeding share. Cf. the imperial stamp law of the 14th of June, 1900, sections 4–6, schedules 4*a*, 4, and above, note 10 with regard to stamp duties.

17. The former provisions of section 8 were adapted to those of the law of the 12th of May, 1873, which is no longer in force. The imperial debt ordinance of the 19th of March, 1900, with its amendment of the provisions concerning the imperial bonds and with the corresponding new regulations in the "Bürgerliches Gesetzbuch" and in the "Zivilprozessordnung," has also been declared binding for the Reichsbank shares by the provisions of the decree of the 3d of September, 1900, which are repeated in the text. These provisions were framed like those of section 17, paragraph 1, and sections 18, 19, and 21, paragraph 1, and section 22 of the imperial debt ordinance.

"Provisions of the Zivilprozessordnung"—particularly sections 946 ff. and 1003 ff.

"Where the office of the Reichsbank Board of Directors is located;" at present it is the district court in Berlin.

18. But is not required. (See "Bürgerliches Gesetzbuch," sec. 804.)

19. Corresponds to practice.

20. Cf. Bank Act, section 13, No. 6.

21. See decision of the imperial court in the penal reports, volume 8, page 9.

22. Cf. Bank Act, notes 72 and 73.

23. Cf. Bank Act, section 61, No. 6, and treaty of the 17th and 18th of May, 1875, section 8. The costs amounted to 751,012 marks 85 pfennigs. (Report of the administration of the Bank of Prussia for 1875, p. 7; Report of the administration of the Reichsbank for 1876, p. 9.)

24. Cf. Bank Act, section 8, No. 2, notes 18 and 20.

25. Cf. Bank Act, sections 23 and 24, No. 2.

26. Cf. Bank Act, sections 32*a* and 34.

27. Cf. Bank Act, section 32*a*.

28. Also at the secondary offices which are provided with treasuries. (See Bank Act, sec. 37, note 113.)

29. Cf. Bank Act, sections 24, 32, and note 93. Stock companies are prohibited from making such payments ("Handelsgesetzbuch" of the 10th of May, 1897, sec. 215). The change of "1¾" instead of "2¼" corresponds to the law of the 18th of December, 1899 (see above, note 75), but was first inserted in the statute after the decree of the 3d of September, 1900. (See above, note 1.)

30. Cf. above, section 4, paragraph 2. The change, "the face value of the shares which he owns" instead of "how many," is contained in the decree of the 3d of September, 1900, and is the result of the issue of shares of 1,000 along with older shares of 3,000 marks. (See above, note 1, par. 2, and note 6.)

31. Collective firms (open commercial corporations, limited liability companies, etc.) can be represented only by one of their qualified partners. The business manager may act for limited liability companies; stock companies and registered associations may be represented by an authorized member of the board of directors, or by any other authorized delegate. (Cf. sec. 22, par. 5.)

With regard to "public officials" (öffentliche Behörde), see note 21.

32. A proxy must also comply with the requirements of paragraph 5.

33. Cf. "Handelsgesetzbuch" of 1897, section 252. The restriction applies only to agents with full power and not to other representatives.

34. The former version of section 17 read: "Each one present at the meeting (sec. 16) has as many votes as he represents shares of bank stock, but not more than 100 votes.

"A simple majority of votes is conclusive. In case of a tie, the vote of that person who represents the greatest number of bank shares is decisive."

The change urged by the decree of the 3d of September, 1900, according to which the number of votes is no longer determined by the number of shares, but by their face value, was rendered necessary after the issue of shares of 1,000 marks. (Cf. sec. 16, note 30.) The limitation to a maximum of 300 votes corresponds to the new form of section 40, No. 6, which was introduced by article 4 of the law of the 7th of June, 1899. (Cf. Bank Act, sec. 40, No. 6, note 126.)

35. Cf. Bank Act, section 26 and note 79.

36. Cf. above, section 18.

37. Cf. the proclamation of the Imperial Chancellor of the 3d of November, 1875. The newspapers which had meanwhile ceased to exist were substituted by others.

38. Cf. "Handelsgesetzbuch" of 1897, section 297 ff.

III. TREATY BETWEEN PRUSSIA AND THE GERMAN EMPIRE CONCERNING THE TRANSFER OF THE BANK OF PRUSSIA TO THE GERMAN EMPIRE.

[May 17 and 18, 1875.—Issued on the 24th of May, 1875.][1]

In view of the authority extended in section 61 of the Bank Act of the 14th of March, 1875,[2] and in section 1 of the law of the 27th of March, 1875, the Imperial Chancellor, Prince von Bismarck, in the name of the German Empire, first party, and the Royal Prussian Minister of Finance, vice-president of the State Ministry, Camphausen, together with the Royal Prussian Minister for Commerce, Industry, and Public Works, Doctor Achenbach, in the name of the Royal Prussian State Government, second party, conclude the following treaty:

SECTION 1. Prussia is to withdraw from the Bank of Prussia its capital of 5,720,400 marks, as well as its share of the reserve fund, amounting to 9,000,000 marks, on the 1st of January, 1876.

On this date the Bank of Prussia is to be transferred, with all its rights and duties, to the Empire, according to the provisions of this treaty.

The Empire will merge this bank into the Reichsbank[3] (sec. 12 of the Imperial Bank Act).

The Bank of Prussia is to be transferred to the Empire in this wise: The head of the Bank of Prussia shall con-

vey in writing the property of the latter to the Reichsbank board of directors, who shall manage the bank after the date mentioned.[4]

SEC. 2. The officials of the Bank of Prussia, who remain in their positions, will retain their seniority and receive their salaries from the Reichsbank.

Officials who are reluctant to enter the service of the Reichsbank shall be placed temporarily on the pension list by the Royal Prussian State Administration. The Reichsbank shall meet all claims in regard to salary, compensation for loss of time or pension, to which an official of the Bank of Prussia is entitled for the time after the 1st of January, 1876. It shall also meet all the claims of the heirs of officials of the Bank of Prussia, with the exception of the claims concerning pensions of the Royal Prussian General Widow-Pension Institution.

SEC. 3. Prussia is to receive 15,000,000 marks from the Empire in compensation for the Bank of Prussia. This sum is to be defrayed by the Reichsbank, and is to be paid to Prussia on the 1st of January, 1876.[5]

SEC. 4. The former shareholders of the Bank of Prussia have the privilege of demanding, within a period to be determined by the Imperial Chancellor, the exchange of their shares for those of the Reichsbank of the same nominal value, provided they surrender all rights granted them through their shares of the Bank of Prussia in favor of the Reichsbank.[6]

SEC. 5. The Reichsbank is to compensate all claims presented by the legitimate owners of those shares of the Bank of Prussia which are not exchanged according to

section 4 for Reichsbank stocks. The Reichsbank is to pay out to these shareholders on and after the 1st of January, 1876, their original capital, as well as their share of the reserve fund in accordance with the provisions in sections 16 and 19 of the Bank Act of the 5th of October, 1846.[7]

SEC. 6. The Reichsbank is to pay to Prussia after the 1st of January, 1876, the annual sum of 621,910 thalers (1,865,730 marks) in semiannual instalments [8] on account of the obligations assumed by the Bank of Prussia in the agreement of the 28th–31st of January, 1856, with regard to the state loan of 16,598,000 thalers. The term of this obligation is to expire on the 1st of July, 1925, so that by the year 1925 only 310,955 thalers, or 932,865 marks, will be due.

If the privilege of the Reichsbank shall not be renewed,[9] and no other bank shall assume the obligations of the latter, the payments shall be made by the Empire, so that the income will flow undiminished to the Prussian State Treasury until the expiration of the time above mentioned.

According to the agreements of the 28th–31st of January, 1856, and of the 22d of April, 1874, the Bank of Prussia was given the privilege of delivering to the Prussian State Treasury 4½ per cent consolidated state loan bonds, equal in face value to the annual payments of 621,910 thalers made to the sinking fund of the loan of 1856, in accordance with section 6 of the agreement of the 28th–31st of January, 1856. This privilege is to cease with the end of the year 1875.

SEC. 7. The report of the assets and profits of the Bank of Prussia for the year 1875 shall be drawn up by the Reichsbank board of directors and the central committee of the Bank of Prussia, in accordance with sections 95 and 96 of the Bank Act of the 5th of October, 1846, and the principles since observed. This report, together with suggestions concerning the division of profits and the rate of dividends to be paid to the former stockholders of the Bank of Prussia, and also together with the Proclamation of the close of that bank, shall then be presented to the Royal Prussian Minister of Commerce, Industry, and Public Works for definite approval.

SEC. 8. The property of the Bank of Prussia is to be entered in the report (sec. 7) at its real value, which is to be appraised according to an arrangement with the Imperial Chancellor.

The question with regard to the property of the Bank of Prussia, which was left open in section 61, paragraph 6, of the Bank Act, is thereby settled. No subsequent demands for a change in the valuation can be made.[10]

SEC. 9. In accordance with the requirement of the Royal Prussian Government, the Reichsbank is to follow the precedent established by the Bank of Prussia in its collection of debts listed in No. II of the royal Prussian cabinet order of the 18th of July, 1846, for the account of the Prussian State, and is to turn in the collected amounts to the Prussian State Treasury.[11]

SEC. 10. The report of the management concerning transactions designated in sections 7 and 8, as well as the final annual report for the year 1875, will be submitted

by the Royal Prussian Minister of Commerce, Industry, and Public Works to the meeting of the shareholders to be called by him not later than the 31st of March, 1876. The Reichsbank board of directors are to be present.

The meeting is to be composed of the 200 persons who owned, according to the books of the Bank of Prussia, the greatest number of shares on the 31st of December, 1875, disregarding the question whether or not they had applied for exchange of their shares for those of the Reichsbank (sec. 4). In all other respects, but for a few changes resulting from the nature of the case, the regulations contained in sections 61 to 65 and 97 of the Bank Act of the 5th of October, 1846, are applicable to this general meeting of the stockholders. The Reichsbank is to undertake the disbursement of the balance of dividends on presentation of the proper dividend coupons at the places to be designated by the Royal Prussian Minister for Commerce, Industry, and Public Works.

SEC. 11. With the exception of the provisions contained in the present treaty, the legal relations between the Prussian State and the Bank of Prussia established by the Bank Act of the 5th of October, 1846, the law of the 7th of May, 1856, and the treaty of the 28th–31st of January, 1856, shall cease on the 1st of January, 1876.

SEC. 12. The rights and obligations of the Bank of Prussia designated in sections 21, 22, 23, and 25 of the Bank Act of the 5th of October, 1846, with regard to the investment of money of courts, churches, schools, hospitals, and other charitable institutions and public offices, as well as

the amounts deposited according to those provisions, are transferred by the Bank of Prussia to the Reichsbank.

Both parties reserve the right of giving six months' notice of the withdrawal of such deposits, under the following provisions:

1. Whenever notice of the withdrawal is given, the acquired rights and obligations cease upon the expiration of the period of notice, and the deposited money is to be repaid.

2. With respect to the money of courts, the Prussian Government can give no notice of withdrawal before the 1st of February, 1876, nor can the Empire give such notice before the 1st of February, 1877.[12] Taking into no consideration the repayments made in current transactions, the repayments of the deposits at the expiration of the period of notice is to be made in five equal instalments, which are due in consecutive periods of three months each, commencing at the expiration of the period of notice.

If the provisions of the Prussian law concerning the investment and lending of money of courts are repealed, the obligation to deposit such money with the Reichsbank is to cease on the same day that the repeal goes into effect.[13]

SEC. 13. The provisions contained in section 12 go into effect only in case the Royal Prussian Government, during the course of the year 1875, is given legal authority to conclude an agreement with the Empire with regard to the investment of money of courts.[14]

In proof thereof the undersigned have drawn up the present treaty in duplicate form.

FRIEDRICHSRUH, *18th of May, 1875.*

BERLIN, *17th of May, 1875.*

VON BISMARCK,
Imperial Chancellor.

(Signed) CAMPHAUSEN,
The Royal Prussian Minister of Finance,
Vice-President of the State Ministry.

ACHENBACH,
The Royal Prussian Minister for
Commerce, Industry, and Public Works.

NOTES ON THE TREATY BETWEEN PRUSSIA AND THE GERMAN EMPIRE CONCERNING THE TRANSFER OF THE PRUSSIAN BANK TO THE GERMAN EMPIRE.

1. Cf. The Prussian bank ordinance of the 5th of October, 1846, and the treaty of the 28th–31st of January, 1856; also the law of the 7th of May, 1856. The period of notice provided for in section 2 of this law expired before the 31st of December, 1871. The treaty of the 17th and 18th of May, 1875, is published also in the "Preussische Gesetzblatt" of 1875, page 224.

2. See above "Final provisions."

3. This has been carried into effect by section 1 of the statute of the Reichsbank.

4. This took place upon the decree of the chief of the Bank of Prussia of the 31st of December, 1875.

5. Cf. Bank Act, section 61, No. 2. The compensation was paid from the deposits on the first subscription of the Reichsbank shares. (Cf. note 74 of the Bank Act, sec. 23.)

6. Cf. Bank Act, section 61, No. 3; cf. proclamation of the Imperial Chancellor of the 24th of May, 1875.

7. Cf. Bank Act, section 61, No. 4. Eighty-one shareholders did not make the exchange and were compensated in accordance with this provision. (Cf. Bank Act, note 183, sec. 62.)

8. Cf. Bank Act, section 61, No. 5, and the treaty of the 28th to the 31st of January, 1856, section 5, cited in note 1.

9. Cf. Bank Act, section 41.

10. Cf. Reichsbank statute, section 12.

11. This occurred several times.

12. Notice of the withdrawal of the money of courts has been issued by the Prussian State Government on the 1st of February, 1876. Notice of the withdrawal of the money of churches, schools, etc., has been issued by the Reichsbank on the 26th of November, 1878. Finally, on the 3d of December, 1878, the Reichsbank issued notice of the withdrawal of the interest-bearing money deposited by trustees, guardians, and private persons, and has since accepted no such deposits. Cf., however, Bank Act, section 13, note 53, and the proclamation of the Reichsbank board of directors of the 3d of February, 1878.

13. Cf. Prussian law concerning deposit banking of the 19th of December, 1875; also the deposit ordinance of the 14th of March, 1879, and the ordinance of the guardianship of the 5th of July, 1875, section 39, "Bürgerliches Gesetzbuch," section 1808.

14. Provision is made for this authority in the Prussian law of the 19th of June, 1875.

IV. LAW OF JUNE 7, 1899, CONCERNING CHANGES IN THE BANK ACT OF MARCH 14, 1875.

[Issued on June 13, 1899.]

We, William, by the grace of God, German Emperor, King of Prussia, etc., ordain, in the name of the Empire, and with the consent of the Bundesrat and the Reichstag, the following:

ARTICLE 1.

Section 23 of the Bank Act of the 14th of March, 1875, is amended by the following provisions:

The capital of the Reichsbank is to consist of 180,000,000 marks, comprising 40,000 shares of 3,000 marks each, and 60,000 shares of 1,000 marks each.

Of the latter, 30,000 shares are to be sold by the 31st of December, 1900, and the other 30,000 shares by the 31st of December, 1905. The provision of section 38 of the law of the 22d of June, 1896, does not apply to this sale.

The shares are to be registered in the names of the owners.

The shareholders are not personally responsible for the liabilities of the Reichsbank.

ARTICLE 2.[a]

Section 24 of the Bank Act is changed to the following form by the repeal of article 1 of the law of the 18th of December, 1889:

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[a] See Law of June 1, 1909, article 1, p. 128.

The net annual profit of the Reichsbank is to be divided at the close of each year in the following manner:

1. In the first place, a regular dividend of 3½ per cent of the capital is to be distributed among the shareholders.

2. Twenty per cent of the remainder is to be transferred to the reserve fund, if the latter has not reached the amount of 60,000,000 marks.

3. Of the balance which still remains one-fourth is to be allotted to the shareholders and three-fourths to the Imperial Treasury.

If the net earnings are less than 3½ per cent of the capital, the difference is to be made up from the reserve fund.

The premium gained on the sale of Reichsbank shares is to be added to the reserve fund.

Back dividends having a four-year standing after maturity are canceled in favor of the Bank.

ARTICLE 3.

In section 31 the third sentence from "the members" to "marks" is amended as follows:

The members and the deputies are elected by the stockholders at a general meeting from among those whose registered shares amount to 9,000 marks minimum.

ARTICLE 4.

Section 40, paragraph 6, is amended by the following provision:

6. The form of notice for the general meetings of the stockholders, as well as all that relates to the exercise of the right of vote by the latter. This right, however, need

not be conditioned by the possession of more than one certificate of stock, nor may one person have more than 300 votes. A share of 3,000 marks entitles one to 3 votes, a share of 1,000 marks to 1 vote.

ARTICLE 5.[a]

The total amount of tax-free uncovered notes to be apportioned to the Reichsbank, according to section 9 of the Bank Act, including the shares of the banks numbered 2 to 11, 15 to 17, 21 to 23, and 25 to 33, which have accrued to the Reichsbank, is to be fixed at 450,000,000 marks, and the total note circulation for all the banks is to be raised to 541,600,000 marks.

ARTICLE 6.[b]

The following sentence is added to section 13 of the Bank Act, paragraph 3b, after the words "of their exchange value:"

"To these are to be added the bonds of the above institutions and banks, which are payable to bearer and which are issued on the basis of loans granted to a domestic municipal corporation or which are guaranteed by such a corporation."

ARTICLE 7.

SECTION 1. After the 1st of January, 1901, the Reichsbank is prohibited from discounting below the rate announced according to section 15 of the Bank Act whenever this rate reaches or exceeds 4 per cent.

[a] See Law of June 1, 1909, article 2, p. 129.
[b] See Law of June 1, 1909, article 6, p. 131.

If the Reichsbank discounts at a lower than the official rate, it has to announce this new rate in the *Reichsanzeiger*.

SEC. 2. The Bundesrat shall, on the 1st of January, 1901, exercise its right of revoking the privilege of note issue of those private note banks which are now exempt from the restrictions of section 43 of the Bank Act, if they have not bound themselves by the 1st of December, 1899, to the following:

1. That on and after January 1, 1901, they will not discount below the Reichsbank rate announced according to section 15 of the Bank Act whenever it reaches or exceeds 4 per cent.

2. That they will in no case discount more than one-fourth of 1 per cent below the Reichsbank rate announced according to section 15 of the Bank Act; and, in case the Reichsbank itself discounts at a lower than its announced rate, the reduction below this new rate shall not exceed one-eighth of 1 per cent.

SEC. 3. If a private note-issuing bank disregards the obligation imposed in section 2, its right of issue shall be revoked by judicial order, as indicated in section 50 ff. of the Bank Act.

Members of the board of directors, representatives of the branch offices, or other functionaries and agents of a bank, who disregard their obligations and discount below the rate permitted in section 2 for the account of the bank shall be punished by a fine not exceeding 5,000 marks.

ARTICLE 8.

The Imperial Chancellor is authorized to sell the new shares of stock to be issued in accordance with article 1 of this law by public subscription.

The amount of deposit on the new shares and the period within which they are to be paid up are to be determined by the Imperial Chancellor.

ARTICLE 9.

SECTION 1. The Reichsbank shall pay to the Imperial Treasury on the 1st of January, 1901, an amount equal to the face value of those notes of the former Bank of Prussia which are still in circulation.

SEC. 2. The Empire is to compensate the Reichsbank for the notes redeemed or accepted in payment, according to section 1, after the 1st of January, 1901; and also for those notes which the Reichsbank redeems according to section 4 of the Bank Act.

SEC. 3. After the 1st of January, 1901, the notes of the former Bank of Prussia shall not be included in determining, according to sections 8, 9, 10, and 17 of the Bank Act, the note circulation of the Reichsbank.

ARTICLE 10.

Articles 1, 2, 5, and 6 of this law are to go into effect on the 1st of January, 1901.

Issued over Our Imperial signature and seal.

Given at the New Palace, the 7th of June, 1899.

(Signed) WILLIAM.
GRAF VON POSADOWSKY.

V. THE LAW OF FEBRUARY 20, 1906.

We, William, by the grace of God, German Emperor, King of Prussia, etc., ordain, in the name of the Empire and with the consent of the Bundesrat and the Reichstag, the following:

The Reichsbank is empowered to prepare and to issue bank notes of the denomination of 50 and 20 marks.

Issued over Our Imperial signature and seal.

Given at Kiel, on board *Prussia*, the 20th of February, 1906.

(Signed) WILLIAM,
Count Von Posadowsky.

VI. LAW OF JUNE 1, 1909, CONCERNING CHANGES IN THE BANK ACT.

We, William, by the grace of God, German Emperor, King of Prussia, etc., ordain, in the name of the Empire and with the consent of the Bundesrat and the Reichstag, the following:

ARTICLE 1.

Section 24 of the Bank Act of the 14th of March, 1875, is changed to the following form by the repeal of article 2 of the law of June 7, 1899.

The net annual profit of the Reichsbank is to be divided at the close of each year in the following manner:

1. In the first place, a regular dividend of 3½ per cent of the capital is to be distributed among the shareholders.

2. After 10 per cent of the balance has been transferred to the reserve fund the new balance shall be distributed in the proportion of one-fourth to three-fourths

among the shareholders and the imperial treasury, respectively.

If the net earnings are less than 3½ per cent of the capital, the difference is to be made up from the reserve fund.

The premium gained on the sale of Reichsbank shares is to be added to the reserve fund.

Back dividends having a four-year standing after maturity are canceled in favor of the Bank.

ARTICLE 2.

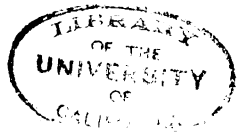
Article 5 of the law of June 7, 1899, is amended by the following provision:

The total amount of tax-free uncovered notes to be apportioned to the Reichsbank, according to section 9 of the Bank Act, including the shares of the banks numbered 2 to 12, 15 to 17, and 20 to 33, which have accrued to the Reichsbank, is to be fixed at 550,000,000 marks, and the total note circulation for all the banks is to be raised to 618,000,000 marks.

The amount of notes in circulation, according to the reports which are submitted at the end of March, June, September, and December of each year, for the purpose of determining the tax (section 10 of the Bank Act), raises the shares of the Reichsbank to 750,000,000 marks, and the aggregate circulation to 818,771,000 marks.

ARTICLE 3.

The notes of the Reichsbank are legal tender. In all other respects the provisions of section 2 of the Bank Act remains in force.



ARTICLE 4.

I. In section 18 of the Bank Act the words "German currency" are changed to "German gold coins."

II. Section 19, paragraph 1, of the Bank Act is changed to the following form:

The Reichsbank is required to accept at full face value the notes of those banks which are announced by the Imperial Chancellor, according to section 45 of this act, not only in its main office in Berlin, but also in its branch offices either in cities of more than 80,000 inhabitants or in the city where the bank which has issued the notes is located, as long as the issuing bank punctually fulfills its duty of note redemption.

Similarly, the Reichsbank is required to exchange to bearer its notes for the notes of each of the announced banks in its branch offices which are located in the same States where the issuing bank is operating, as far as the amount of the notes of these branch offices permit such exchanges.

The notes accepted or exchanged, according to paragraphs 1 and 2, may be presented by the Reichsbank either for redemption or as payments to the same bank which issued them, as well as payments in the city where the latter has its principal office.

ARTICLE 5.

I. In section 8, paragraph 6*b*, of the Bank Act, the words "and checks" shall be inserted after "bills."

II. The following words shall be inserted in section 13[2] of the Bank Act after "solvent:" "as well as checks which

are indorsed by not less than two persons known to be solvent."

III. The following words shall be inserted in section 17 of the Bank Act after "solvent:" "or in checks which are indorsed by not less than two persons known to be solvent."

IV. In section 32, paragraph 1, of the Bank Act, after the phrase "the sale and purchase of gold and bills," the words "and checks" shall be inserted.

V. The following provision shall be appended to section 47 of the Bank Act:

SEC. 47[a]. With regard to the reserve against the circulating notes of the private note banks which are exempt from the restrictions of section 42, the provisions of section 17 shall be applicable.

ARTICLE 6.

I. Article 6 of the law of June 7, 1899, is amended as follows:

The following sentence is to be added to section 13 of the Bank Act, figure 3*c*, after the words "of their exchange value:"

"To these are to be added the bonds of domestic quasi-public agricultural credit institutions, which are issued to bearer, as well as the bonds of the above institutions and banks, which are payable to bearer and which are issued on the basis of loans granted to a domestic municipal corporation or which are guaranteed by such a corporation."

II. The following provision is to be inserted under figure 9 in section 13 of the Bank Act:

9. To issue interest-bearing loans for not longer than three months on pledges of the right of claim of debts registered in the debit books of either the Empire or one of the German States, to the maximum amount of three-fourths of the exchange value of the converted debt.

III. Section 20 of the Bank Act is to be supplemented by the following provisions to be designated as sections 20*a* and 20*b*:

SEC. 20*a*. If the right of claim of debts registered in the debit books of either the Empire or one of the German States (sec. 13, fig. 9) is pledged to the Reichsbank, the signatures of the persons, for which the Reichsbank is kept responsible according to section 38, are adequate for the recording of the pledge in the debit books in the name of the Reichsbank. Inasmuch as this latter provision requires the signatures of two members of the board of directors, the authentication of the application is valid when made by other officials of the Reichsbank named by the board of directors to the debt administration.

The provisions of section 183 of the law concerning voluntary jurisdiction are applicable to the authentication.

SEC. 20*b*. If the pledge of the right of claim of debts has been registered in the name of the Reichsbank in the debit books (sec. 13, fig. 9), the Reichsbank retains the right to the pledge even when it has been transferred to a third party, unless the right of the latter has been recorded in the debit books before the entrance of the pledge of the right to the claim or if at the time of regis-

tration the right of the third party has been either known or, save for gross negligence, could have been known to the Reichsbank.

If the debtor does not meet his obligations guaranteed by the pledge of the right to the claim, the debt administration is authorized and required, upon the written request of the Reichsbank, to issue to the latter, without demanding any proof of the delay on the part of the pledger to meet his obligation, certificates of indebtedness to bearer for the whole or a corresponding part of the claim, unless such issue is prohibited by judicial order or when the right to request such issue or to make other arrangements was recorded in favor of a third party prior to the pledge of the right to the Reichsbank. The pledge of the right of claims may also be used for the purpose of defraying the cost incurred in the issue of the certificates of indebtedness.

The debt administration shall inform the Reichsbank, at the time of issuing certificates of indebtedness to the latter of the later transfers of the right to the claim.

The provisions of section 20 stipulate for the compensation to be demanded by the Reichsbank out of the certificates of indebtedness to be issued by the debt administration.

ARTICLE 7.

Section 22 of the Bank Act is to be changed to the following provision:

The Reichsbank is required to take charge of the business of the Imperial Treasury without compensation.

The Reichsbank is authorized to assume the obligation of administering the similar business of the federated States.

ARTICLE 8.

Articles 3, 4, 5, and 6 of this law shall go into effect on the 1st of January, 1910. The other provisions shall go into effect on the 1st of January, 1911

Issued over Our Imperial signature and seal.

Given at the New Palace, the 1st of June, 1909.

(Signed) WILLIAM,

VON BETHMANN-HOLLWEG.

BOOK TWO.

GENERAL PROVISIONS CONCERNING BUSINESS RELATIONS WITH THE REICHSBANK.

I.—*General principles.*

SECTION 1. Every ordinary business man may transact business with the Reichsbank according to the following provisions: He must give the necessary information concerning his business to the office of the bank in whose district he is located, and if his firm is entered in the Register of Commerce (*Handelsregister*), he must submit the certified page containing his name.

SEC. 2. Should the business be carried on through agents or representatives, a certificate of authority drawn up in a definite form and valid only in business transactions with the Reichsbank, is to be deposited with the bank. Payments to such persons are to be made upon their being personally introduced by the one who issues the order.

II.—*Purchase of bills of exchange (Wechsel).*

A. PURCHASE OF BILLS ON GERMANY.

1. *Requisites of bills.*—Bills of exchange must be made out according to the ordinance or the legal provisions of the foreign countries where they are drawn; they must run for not more than three months, and must be indorsed in the name of the bank of the city where the payment is to be made by three, and in exceptional cases by two, persons or firms known to be solvent.

All bills which are payable in the city where the purchasing bank office is located, except those not exceeding the amount of 500 marks and having only fourteen days more to run, or those which mature within less than thirty days, can be negotiated by the bank only upon the indorsement of at least three persons.

Unaccepted domiciled bills shall be purchased only if they have not more than a week to run; they may run a longer period if there is a bank where the drawee resides.

Bills which contain the phrase "or value," or which are accepted for another day than the stated day of maturity, or which have erasures or corrections, are not negotiable by the Reichsbank.

When bills have blank indorsements they must always be drawn to the order of the seller and indorsed by the latter to the bank. "Alongen" [a] must always contain a complete description of the bill in question.

Bills must contain the date of maturity, and must be drawn in accordance with the attached account (sec. 2).

2. *Requisites of the account* (*Rechnung*).—Special account must be made—

(*a*) For local bills (payable in the city where the purchasing bank or one of its branches is located).

(*b*) For bills payable in other German cities having bank institutions.

In making discounts during the period from the 31st of October to the 31st of December of each year the bills maturing in the old year are to be distinguished from those

[a] "Alongen" are slips attached to a bill for the purpose of receiving the additional indorsements for which there is frequently not room on the bill.—*Palgrave's Dictionary.*

maturing the next year and must be entered in separate accounts.

In the account the bills are to be arranged either according to the bank offices or according to the day of maturity, and are also to be described individually, detailing the amount, the day of maturity, the drawee, the place of payment, and the amount of accrued interest. In domiciled bills the names and the dwelling places of the drawee and the remittee are to be given.

Each month is to be reckoned as thirty days in calculating interest. The month of February is to be reckoned as having twenty-eight or twenty-nine days for such bills as are due on the last day of February. The day of purchase is not included. Thus, interest is to be calculated as follows: For bills negotiated on the 15th of February and due on the 5th of March, twenty days; for bills negotiated on the 15th of February and due on the 28th of February, thirteen days; for bills negotiated on the 15th of February and due on the 29th of February, fourteen days; for bills negotiated on the 28th of February and due on the 5th of March, seven days.

The minimum interest is to be calculated as follows:

(*a*) Four days' interest on bills which are payable at the place of negotiation.

(*b*) Five days' interest on bills not payable at the place of negotiation and which are presented in amounts of 10,000 marks and more, or in a parcel amounting to 20,000 marks minimum, in pieces of not less than 5,000 marks.

(*c*) Ten days' interest on all other bills.

Thirty pfennigs are to be realized for each individual bill not exceeding 100 marks, and 50 pfennigs minimum for each bill over 100 marks.

The seller is to defray the cost of transmission for bills not exceeding 100 marks which are at such short sight that they must be sent immediately to the place of payment.

The interest is to be calculated according to interest tables. For individual bills the computation according to the table is as follows:

At the rate of—	For 30 pfennigs.	For 50 pfennigs.
	Marks net.	*Marks net.*
3 per cent	36.00	60.00
3.5 per cent	30.86	51.43
4 per cent	27.00	45.00
4.5 per cent	24.00	40.00
5 per cent	21.60	36.00
5.5 per cent	19.64	32.73
6 per cent	18.00	30.00
6.5 per cent	16.62	27.69
7 per cent	15.43	25.72
7.5 per cent	14.40	24.00

Bill accounts are to be receipted by the seller, by his agent, or authorized representative.

B. PURCHASE OF BILLS AND CHECKS ON FOREIGN COUNTRIES.

(*a*) GENERAL PROVISIONS.

Countries of negotiation.—According to the following provisions, the bank institutions may purchase bills on the following countries: Belgium, Denmark, England, France, Holland, Italy, Switzerland, Scandinavia.

Checks which are drawn in Belgium, England, Alsace-Lorraine, France, Italy, Austria, Portugal, Switzerland, Spain, and North America, and are payable in Belgium, England, France, Italy, and Switzerland, are negotiated only from well-known firms, if they agree to release the Reichsbank from the obligation of presenting the checks for payment at the stated time. This agreement is not necessary in case of checks from England on England.

Domiciled bills.—Unaccepted domiciled bills on foreign countries are purchased only if they have not more than fourteen days to run.

Requisites of bills.—Bills must be drawn in the monetary standard (*Geldsorte*) of the country in which they are payable, in conformity with the legal requirements concerning their form and stamps, and must be indorsed by three, and in exceptional cases by two, persons or firms known to be solvent, as well as by the seller, to the order of the Reichsbank Board of Directors in Berlin.

If the bills or checks are presented in several copies (original, first, and second of exchange), only one copy is to be indorsed by the seller to the Reichsbank.

Securing of acceptance.—It is the custom of the Reichsbank to secure payments, without, however, assuming any obligation, of bills having more than twenty days to run and which are drawn for large amounts on the following starred principal cities. The Reichsbank is not in a position to secure acceptance of bills on secondary cities.

Principal cities.—The following are regarded as principal cities: (1) Belgium, *Antwerp and Brussels; (2)

Denmark, *Copenhagen; (3) England, *London; (4) France, *Paris; (5) Holland, *Amsterdam and *Rotterdam; (6) Italy, *Milan, Florence, Genoa, Leghorn, Naples, Rome, Turin, Venice; (7) Switzerland, *Zurich, Berne, St. Gall, Basel, Geneva, Winterthur; (8) Scandinavia, Stockholm, Christiania, Gottenburg.

Rate of exchange.—Negotiations are made by the banks on the basis of the last official quotations of the Berlin Exchange announced in the "Reichsanzeiger." For South German bank offices, the quotations of the Frankfort Exchange are good for the purchase of bills on Switzerland.

The quotations are good only for bills on principal cities. On all other places of the above-named countries (secondary cities) bills or checks will be negotiated at a discount of 1 per cent, and not less than 30 pfennigs on each piece. The short rate of exchange is used for a period not exceeding fourteen days; the long rate for a period of from fifteen days to three months.

Interest computation.—If the long rate of exchange is used, each month is to be reckoned as thirty days; in case of the short rate, each month is to be reckoned according to the actual number of days (for example, January, 31; February, 28 or 29, etc.).

Except in case of English sight bills and checks, no interest is calculated on bills which have a shorter period to run than that to which the short quotations apply.

On unaccepted bills at a definite date after sight, five days' interest shall be calculated for the time elapsing before acceptance, besides the regular interest.

In computing interest the following is to be observed:

1. If the seller owes interest to the Reichsbank at the time of the negotiation, it is to be calculated at the interest rate of the foreign place of payment.

2. If the Reichsbank owes interest to the seller, a distinction is to be made between long-dated and medium-dated bills.

The long-dated bills are (*a*) on England, those having a period of seventy-five to ninety days to run; (*b*) on Belgium, France, Holland, Italy, and Switzerland, those having a period of from forty-five to ninety days to run.

The medium-dated bills are (*a*) on England, those having a period of from fifteen to seventy-four days to run; (*b*) on Belgium, France, Holland, Italy, and Switzerland, those having a period of from fifteen to forty-four days to run.

Interest on the long-dated bills is to be paid according to the following discount from the interest rate at the place of payment:

From the rate up to 4 per cent inclusive, the abatement = one-half of 1 per cent;

From the rate of from 4 to 7 per cent inclusive, the abatement = 1 per cent;

From the rate of over 7 per cent, the abatement = 1½ per cent.

On medium-dated bills the foregoing deductions are increased by one-half of 1 per cent.

Stamp duties.—If the foreign stamp is lacking, abatement is made only from short-time bills or checks according to the tax schedules of the respective countries.

Fees.—The negotiation fee for bills and checks must be one-half of 1 per cent of the amount of the transaction and not less than 30 pfennigs per item.

Delivery.—(*a*) Denomination: The following denominations are deliverable on the exchange: In Belgium, from 1,000 to 50,000 francs; in Denmark, from 1,000 to 20,000 crowns; in England, from £100 to £3,000; in France, from 1,000 to 50,000 francs; in Holland, from 500 to 25,000 Holland florins; in Italy, from 1,000 to 25,000 lires; in Switzerland, from 1,000 to 50,000 francs; in Scandinavia, from 1,000 to 20,000 crowns.

No charge is made for denominations of higher than the foregoing amounts; on the other hand, a deduction of 1 per cent is made on bills of smaller denominations (except English bills and checks).

(*b*) Running period for short paper: In order to be delivered on the Berlin Exchange as short paper, bills must have the following running periods:

1. Bills on the principal cities in Belgium, Denmark, England,[a] France, Holland, and Switzerland must have a minimum period of five days; in Italy and Scandinavia a minimum period of seven days.

2. Bills on secondary cities in England and France must have a minimum period of eight days; in Belgium and Holland a minimum period of ten days; in continental Italy a minimum period of ten days; in insular Italy a minimum period of fourteen days.

Papers having shorter than the foregoing periods are negotiated only in case the seller releases the Reichsbank from the obligation of presenting them when due.

[a] In case of bills on England the days of grace are not counted.

No interest is paid on bills of this kind.

(*c*) Bills in the "mark" standard: Foreign bills drawn in the "mark" standard are negotiated at the interest rate of the Reichsbank, provided the interest rate in the foreign country is higher. The interest is to be calculated for a minimum period of ten days, but not less than 30 pfennigs for each bill under 100 marks, and not less than 50 pfennigs for each bill over 100 marks, is to be realized by the bank.

The bill in the "mark" standard is to be reduced to foreign standards according to the following rates:

	Marks.
1 franc	0.80
1 crown	1.25
1 pound sterling	20.40
1 Holland florin	1.70
1 lire	.80

Recall of bills.—Foreign bills sold to the Reichsbank may be recalled before maturity, if the person requesting the recall compensates the bank for all ensuing expenses. The rate of exchange shall be equal to the rate charged in negotiating bills of the same foreign country, while the interest for the time since the day of negotiation until the day of repayment shall be computed according to the rate of the bank.

Return bills (*Rückwechsel*).—In the event of failure of payment, returned foreign bills are to be computed at the foreign rate of exchange according to the last short-rate, to which the interest for a period of from six to eight (for London, nine) days at the rate of the foreign city is to be added.

The account must also include (1) the cost of the protest and other expenses; (2) the return bill fee of one-third of 1

per cent, (3) 6 per cent interest until the day of payment; (4) remittance fee of 1 per cent.

Collection.—Bills as well as checks on the above-mentioned countries which are not negotiable may be accepted for collection (Cf. Business on Commission, IX, 4).

Foreign bank notes.—Foreign bank notes are not negotiable (Concerning their acceptance for collection, cf. IX, 5).

(*b*) SPECIAL PROVISIONS.[a]

Belgium.

Principal cities.—* Antwerp, Brussels.

Purchase.—Bills and checks, as well as accepted drafts (*Mandate*), are negotiable. Concerning the purchase of checks, compare the conditions stated above in Part III, B, a.

Abatement.—One per cent is deducted from bills or checks under 1,000 francs, and from those on secondary cities.

Stamp duties.—Bills drawn in Belgium must be drawn on Belgian stamped paper (*papier timbré*). Those drawn outside of Belgium must be stamped in Belgium before being certified at the exchange. Charge is made for the missing stamp only in case of short bills.

The designation of the monetary standard is not required.

Rate and interest.—Short bills (usance, eight days; deliverable in principal cities, from five to fourteen days; in secondary cities, from ten to fourteen days) are computed

[a] Bills on the following starred principal cities having more than twenty days to run, and drawn on big amounts, may be accepted by the bank without its assuming any responsibility for them.

according to the short rate; if they have from nine to fourteen days to run, interest is deducted for the period of from one to six days, at the Belgian interest rate; no interest compensation is demanded for bills of shorter periods.

Long bills (usance, sixty days; deliverable, from forty-five to ninety days) are computed according to the long rate; if they have from forty-five to fifty-nine days to run, interest for fifteen days receding down to one day is to be added at the rate of from 1 to 1½ per cent below the Belgian interest rate; if they have to run from sixty-one to ninety days, interest for the period of from one to thirty days is to be deducted, at the Belgian interest rate.

Medium-dated bills (from fifteen to forty-four days) are computed according to the long rate, and interest is to be added for the period of from forty-five days receding down to sixteen days, at the rate of from 1 to 2 per cent below the Belgian interest rate.

Denmark.

Principal city.—* Copenhagen.

Abatement.—One per cent is deducted from bills under 1,000 crowns, as well as from those on secondary cities.

Stamp duties.—Both the original and the duplicates are subject to the stamp duty, while indorsed copies are exempt. If the stamp is lacking, charge is made only in case of short bills.

The designation of the monetary standard is not required.

Rate and interest.—Short bills (usance, eight days; deliverable, from five to eight days) are computed according to the eight-day rate, without interest compensation.

Long bills (usance, ———; deliverable, from nine to ninety days) are computed according to the eight-day rate, and interest is to be deducted for a period of from one to eighty-two days at the Danish interest rate.

England.

Principal city.—* London.

Purchase.—Besides bills (bills of exchange, drafts, promissory notes), post bills of the Bank of England and its branches, as well as checks named above in II, B, a, are negotiable.

Abatement.—One per cent is to be deducted from bills and checks on secondary cities.

Stamp duties.—Bills drawn in England on England must be drawn on paper with the English impressed stamp. Drafts of bankers on bankers at seven days' sight, or twenty-one days' date, are exempt from the stamp duty. Charge is made for the missing stamp only in case of short bills and checks.

Special fee.—A special fee of 1 per cent is to be charged for bills on England which are payble at the presentation of the attached bill of lading.

The designation of the monetary standard is not required.

Rate and interest.—(*a*) Checks and sight bills on London are computed according to the short rate, and six days' interest is to be added at the rate of from one-half of 1 per cent to 1½ per cent below the London interest rate; no interest is calculated for amounts under £100.

(*b*) Checks and sight bills on London agents, etc., are computed according to the short rate, without interest compensation.

(*c*) Checks and sight bills on secondary cities are computed according to the short rate, without interest compensation but upon an abatement of 1 per cent.

Short bills (usance, eight days; deliverable in London, from five to fourteen days; in secondary cities, from eight to fourteen days) are computed according to the short rate; if they have from nine to fourteen days to run, interest is deducted for the period of from one to six days at the London interest rate; no interest is to be charged for shorter periods.

Long bills (usance, ninety days; deliverable, from seventy-five to ninety days) are computed according to the long rate; if they have to run from seventy-five to eighty-nine days, interest for fifteen days receding down to one day is to be added at the rate of from one-half of 1 per cent to 1½ per cent below the London interest rate.

Medium-dated bills (from fifteen to seventy-four days) are computed according to the long rate with the addition of interest for seventy-five receding down to sixteen days at the rate of from 1 to 2 per cent below the London interest rate.

France.

Principal city.—*Paris.

Abatement.—One per cent is to be deducted from bills and checks under 1,000 francs; as well as from those on secondary cities.

Purchase.—Bills (*traites, lettres de change, billets de change*) and drafts, as well as checks named above in II, B, a, are negotiable.

The designation of the monetary standard is necessary.

Stamp duties.—Bills drawn, accepted or indorsed in France can be purchased only when they are provided with the French stamp. Deduction is made for the missing stamp only in case of short bills, and checks drawn in other countries.

Rate and interest.—Short bills (usance, eight days; deliverable in Paris, from five to fourteen days; in secondary cities, from eight to fourteen days) are computed according to the short rate; if they have from nine to fourteen days to run, interest is to be deducted for the period of from one to six days at the Paris interest rate; no interest compensation is to be demanded for shorter periods.

Long bills (usance, sixty days; deliverable, from forty-five to ninety days) are computed according to the long rate; in case they have from forty-five to fifty-nine days to run, interest for fifteen days receding down to one day is to be added at the rate of from one-half of 1 per cent to 1½ per cent below the Paris interest rate; if they have from sixty-one to ninety days to run, interest for the period of from one to thirty days is to be deducted at the Paris interest rate.

Medium-dated bills (from fifteen to forty-four days) are computed according to the long rate; interest for forty-five days receding down to sixteen days is to be added at the rate of from 1 to 2 per cent below the Paris interest rate.

Holland.

Principal cities.—*Amsterdam and *Rotterdam.

Purchase.—Bills, order billets, and promissory notes to order are negotiable; the purchase of the last two kinds, however, is restricted under certain conditions.

Acceptance.—The accepted bill must have, besides the signature, the word "accepted," or its equivalent.

The designation of the monetary standard is necessary.

Stamp charge.—Charge is made for the missing stamp only in case of short bills.

Abatement.—One per cent is deducted from bills under 500 Holland florins, as well as from those on secondary cities.

Special fee.—A fee of 1 per cent is charged for the loss of interest on unaccepted bills indorsed "without costs," whether they do or do not bear the note "fourteen days duration," or "to be submitted after fourteen days," and other notes to that effect.

Rate and interest.—Short bills (usance, eight days; deliverable in the principal cities, from five to fourteen days; in secondary cities, from ten to fourteen days) are to be computed according to the short rate; if they have from nine to fourteen days to run, interest for a period of from one to six days is to be deducted at the Amsterdam interest rate; no interest is charged for shorter periods.

Long bills (usance, sixty days; deliverable, from forty-five to ninety days) are computed according to the long rate; for the period of from forty-five to fifty-nine days, interest for fifteen days receding down to one day is to be added at the rate of from one-half of 1 per cent to 1½ per cent below the Amsterdam interest rate; for the period of from sixty-one to ninety days, one to thirty days' interest is to be deducted at the Amsterdam interest rate.

Medium-dated bills (from fifteen to forty-four days) are computed according to the long rate; interest for forty-five days receding down to sixteen days is to be

added at the rate of from 1 to 2 per cent below the Amsterdam interest rate.

Italy.

Principal cities.—*Milan, Florence, Genoa, Leghorn, Naples, Rome, Turin, and Venice.

Purchase.—Bills drawn in Italy with a specification "*cambiale*" or "*lettera di cambio*," except those specified "*prima* or *sola di cambio*," are negotiable. Checks are purchased only under conditions stated in II, B, a.

The designation of the monetary standard is not required.

Abatement.—One per cent is deducted from bills under 1,000 lires as well as from bills on secondary cities. The deduction from the latter is not made in case of bills of the Bank of Italy (*Banca d'Italia*).

Stamp duty.—Charge is made for the missing stamp only in case of short bills and checks drawn in foreign countries.

Stamp exemption.—The bills of the following banks are exempt from the stamp tax: La Banca Nazionale nel Regno d'Italia; la Banca Nazionale Toscana; la Banca Romana; la Banca Toscana di Credito; il Banco di Napoli; il Banco di Sicilia.

Special.—Bills must contain no statement like "without costs," "without protest," or similar phrases.

Rate and interest.—Short bills (usance, ten days; deliverable in the principal cities, from seven to fourteen days; in secondary cities, on the Continent, from ten to fourteen days; on the islands, fourteen days) are computed

according to the short rate; if they have from eleven to fourteen days to run, interest for a period of from one to four days is to be deducted at the Italian interest rate; no interest compensation is to be demanded for shorter periods.

Long bills (usance, sixty days; deliverable, from forty-five to ninety days) are computed according to the long rate; if they have from forty-five to fifty-nine days to run, interest for fifteen days receding down to one day is to be added at the rate of from one-half of 1 per cent to 1 per cent below the Italian interest rate; if they have from sixty-one to ninety days to run, interest for a period of from one to thirty days is to be deducted at the Italian interest rate.

Medium-dated bills (from fifteen to forty-four days) are computed according to the long rate;[a] interest for a period of forty-five days receding down to sixteen days is to be added at the rate of from 1 to 2 per cent below the Italian interest rate.

Switzerland.

Principal cities.—*Zurich, Berne, St. Gall, Basel, Geneva, Winterthur.

Purchase.—The last quotation of the Frankfort Exchange is to be used by the South German bank offices; while the others have to use the last quotation of the Berlin Exchange. The purchase of checks is to be governed by the conditions named above in II, B, a.

[a] If the long rate is not quoted, the short rate is to be used, upon the deduction of interest for the time exceeding ten days, at the Italian interest rate.

Abatement.—One per cent is to be deducted from bills or checks under 100 francs, as well as from those on secondary cities.

Stamp duties.—Charge is made for the missing stamp only in case of short bills and checks on cities in those cantons which prescribe stamps.

Rate and interest.—Short bills (usance, eight days; deliverable, from five to fourteen days) are computed according to the short rate; if they have from nine to fourteen days to run, interest for a period of from one to six days is to be deducted at the Swiss interest rate; no interest compensation is to be charged for shorter periods.

Long bills (usance, sixty days; deliverable, from forty-five to ninety days) are computed according to the long rate; if they have from forty-five to fifty-nine days to run, interest for fifteen days receding down to one day is to be added at the rate of from one-half of 1 per cent to 1½ per cent below the Swiss interest rate; if they have from sixty-one to ninety days to run, interest for the period of from one to thirty days is to be deducted at the Swiss interest rate.

Medium-dated bills (from fifteen to forty-four days) are computed according to the long rate,[a] and interest for forty-five days receding down to sixteen days is to be added at the rate of from 1 to 2 per cent below the Swiss interest rate.

[a] If the long rate is not quoted, the short rate is to be used, upon the deduction of interest for the time exceeding eight days, at the Swiss interest rate.

Scandinavia.

Principal cities.—Stockholm, Christiania, and Gottenborg.

Abatement.—One per cent is deducted from bills under 1,000 crowns, as well as from those drawn on secondary cities.

Stamp duties.—All bills payable or circulating in Norway must compound for the stamp duty. If bills are drawn in several copies, the one crossed on the back and designated for acceptance only and not for circulation is exempt from the stamp duty. Drafts of foreign countries on Sweden require stamps, while bills drawn in Sweden on Sweden and bills at sight (*à vista*) drawn in foreign countries on Swedish banks or bankers are exempt from the stamp duty. Charge is made for the missing stamp only in case of short bills.

Rate and interest.—Short bills (usance, ten days; deliverable, from seven to fourteen days) are computed according to the ten-day rate, without interest compensation.

Long bills (usance, ———; deliverable, from eleven to ninety days) are computed according to the ten-day rate, and interest for the period of from one to eighty days is to be deducted at the Swedish or Norwegian interest rate.

III.—*Sale of bills and checks on foreign countries.*

(*a*) BILLS.

Applications (*Anträge*).—Applications for remittances of bills and checks on foreign countries are to be made at that bank in whose district the applicant resides. The

bank may carry out the order by telegraph to Berlin if the purchaser is willing to defray the costs.

If short bills are desired it is to be stipulated whether the order is given exclusively for the stated bills, and if such are not available, whether it may be carried out by check. Interest for such checks shall be computed according to the interest computations given below (III, *b*).

Rate of exchange.—On bill days,[a] bills kept in the portfolio of the Reichsbank are to be sold at short, maximum fourteen-day sight at the day's rate; on other than bill days, at the rate of the next exchange day. If the bills demanded are not in the possession of the Reichsbank, they shall be secured from the exchange.

Delivery.—Only the remittance of bills on principal, but not secondary, cities may be guaranteed. Dutch bills are deliverable, according to the choice of the seller, either at Amsterdam or Rotterdam; Belgian bills either at Brussels or Antwerp.

Orders on the following cities are carried out wholly or in part by means of checks on the correspondents of the Reichsbank: Amsterdam, Antwerp, Brussels, Copenhagen, London, Paris, Rotterdam, Zurich, and Milan and the other principal cities of Italy. Checks are drawn on the cities named below (III, *b*).

Concerning the interest on checks, see the interest computations in III, *b*.

If checks are not desired it is to be expressly stated in the application.

[a] Foreign bills are received on the Berlin Exchange only on Tuesdays, Thursdays, and Saturdays, unless holidays cause a change.

Interest.—The bank selling foreign bills of exchange having a longer period to run after acceptance than that established by usance must compensate the purchaser for the extra days at the rate of interest of the foreign bank.

Payment.—The applicant is to deposit either cash or securities, which may be hypothecated, to cover the foreign bills which are demanded. The order is not carried out if the purchaser insists on getting bills only, or papers on a secondary city, or on a country in which the Reichsbank has no correspondents.

Fees.—A fee of 1 per cent of the amount of the transaction, and not less than 50 pfennigs, is charged for each parcel of bills or checks on the same country.

No fee is charged if the discount or loan transaction between the purchaser and the bank yields to the latter at least ten days' interest, or if the ten days' interest on the amount of the foreign bill was obtained by discounting a greater amount for a shorter period or a smaller amount for a longer period than ten days.

(*b*) CHECKS.

Applications.—Applications for remittances of checks are to be made at the bank of that district where the applicant resides. Telegraphic transfer is permissible if the purchaser is willing to bear the cost.

Interest-free checks.—Checks of this kind on London—that is, papers under £100, or bearing the note "London agents"—are sold only when they are readily available in the Reichsbank. Since ordinarily only few checks are

available, applications are accepted only on condition that the purchaser declares himself willing to accept bills or checks issued by the bank.

Delivery.—Checks on the correspondents of the Reichsbank are to be drawn on every week day up to the following amounts:

Amsterdam and Rotterdam	Holland florins	20,000
Antwerp and Brussels	francs	30,000
Copenhagen	crowns	10,000
London	pounds sterling	5,000
Paris, Bordeaux, Havre, Lyon, Marseille, Nice	francs	50,000
Basel, Zurich	do	50,000
Milan and other principal cities of Italy	lires	30,000

Higher amounts are restricted. If checks for amounts higher than the foregoing are demanded, no immediate execution of the order can be counted upon, since the delivery of papers purchased on the exchange occurs customarily only on the next week day. Interest on checks purchased on the exchange is the same as on those drawn by the Reichsbank.

Amounts in marks.—The Reichsbank will draw checks in the standard of the place of payment equivalent to the amount of marks received by it (upon deducting expenses).

Rate.—If the checks drawn in Berlin are made out on a day other than a bill day and on amounts higher than those given above, the rate of exchange shall be computed according to the rate of the next exchange day on which bills of foreign exchange are negotiable in Berlin. If the amount is below the limits given above, the rate shall be computed according to the rate of the previous exchange day.

Interest computation.—The purchaser of checks drawn by the Reichsbank will be charged interest according to the respective rates of interest, as follows: Checks on England, for nine days; on Italy, for eight days; on other countries, for six days.

Fees.—The fees are 1 per cent of the amount of the transaction, and not less than 50 pfennigs for each parcel of checks on the same country. No fees will be charged under conditions named above (III, a), in case of bills of foreign exchange.

Transfers and remittances.—Concerning remittances and transfers to foreign countries by the Reichsbank and its branches, see VIII, B.

IV.—*Purchase of redeemable bonds, etc.*

Purchase.—Bonds of the Empire, of a German State, of domestic municipal corporations, provincial mortgage bonds or annuities, original shares, original preferred shares and bonds of German state railroads (for whose capital and interest the State acts as guarantor), as well as tax-indemnity certificates (*Steuervergütungs-Anerkenntnisse*), and export-allowance certificates for sugar (*Ausfuhrzuschusscheine für Zucker*) are negotiable by all banks, if they mature within three months; the latter two kinds of paper are purchased, even if they have more than three months to run.

Postage.—The cost of postage of discounted securities to another bank office is to be borne by the seller. The Reichsbank bears the cost only in case of tax-indemnity and export-allowance certificates.

Stamp duty.—Inasmuch as the above kinds of securities are subject to stamp duty according to Schedule 4 of the imperial tax law of the 3d of June, 1906, the costs are to be defrayed by the seller.

Interest computation.—At least five days' interest is to be charged on tax-indemnity certificates, if the period of notice demanded is not more than three days. Otherwise, interest is to be calculated for a period exceeding the time of notice by not less than two days.

Not less than 30 pfennigs for each single item not exceeding 100 marks, and at least 50 pfennigs for each item above 100 marks, is to be collected by the bank as interest.

V.—*Loans on pledges* (*Lombardverkehr*).

The Reichsbank issues loans in Berlin and at its branch offices at the announced interest rate, on the following pledges: Noble metals, merchandise within the country, bills, and those securities which are named below. If the latter are deposited with the main office of the Reichsbank, the presentation of the certificate of deposit, together with the certificate of the office concerning the circulating capacity of the deposited securities, is adequate guaranty for the loan. (Cf. XIV, B, sec. 16, par. 2.)

A. PROVISIONS.

(*a*) GENERAL PROVISIONS.

SECTION 1. Loans in amounts of less than 500 marks are as a rule not issued. Furthermore, according to section 13, paragraph 3, of the Bank Act of the 14th of March, 1875, a loan can not be made for a term exceeding three months.

SEC. 2. The loan may be repaid or recalled on any day without previous notice. A letter addressed to the borrower is sufficient notice of the recall.

SEC. 3. Should the borrower fall behind in payment (sec. 2), or should the interest fall into arrears (sec. 5), the Reichsbank is empowered to sell the pledges according to section 20 of the Bank Act of the 14th of March, 1875, except in cases named in sections 1234 and 1238 of the "Bürgerliches Gesetzbuch," and section 368 of the "Handelsgesetzbuch." The Bank is to compensate itself from the proceeds for its capital, interest, and costs.

SEC. 4. The Reichsbank has the right, if it considers it expedient for the purpose of the sale or for other reasons, to transfer the pledges at the borrower's risk and expense to another place, whether it be in the same locality or elsewhere, and leave them there for safe-keeping or sale.

SEC. 5. Interest is to be paid every three months, and, as far as possible, before the close of the calendar quarter. If the capital is repaid before the lapse of this period, the interest is to be reimbursed.

Interest on hypothecated securities, including bills of exchange, is to be computed for a minimum period of ten days, if the loan is contracted before the close of the quarter for a period extending beyond the last week day of the quarter or on the first week day of the new quarter. If the loan is due after the seventh day of the first month of the new quarter, interest is to be charged for a minimum period of fourteen days. In all other cases interest is calculated only till the day of repayment.

Not less than 1 mark interest is to be realized by the Bank on each receipt issued for pledges (*Pfandschein*). Should the interest rate of the Reichsbank rise or fall, the new interest rate goes into effect on all loans issued after the day of its announcement.

SEC. 6. Partial repayments are permitted only in amounts of at least 10 per cent of the debt and not less than 500 marks.

SEC. 7. The Reichsbank reserves for itself the privilege, but does not assume the obligation, of verifying the right of the holder to the receipt of the pledge (*Pfandschein*) or of the one who receipts the return of the pledge, as well as of testing the authenticity of the receipt itself; but it may hold anyone who presents the receipt for the pledge as the legal owner. The borrower, therefore, has to take care of his receipt, in order that the pledge (*Unterpfand*) may not be returned to the wrong person, or that the latter may not contract a new loan on the receipt.

The pledge is to be returned to the borrower only upon the surrender of the receipt or the judicial declaration of its invalidation, and after full repayment of the loan and interest. If the pledge was sold by the bank, the surplus above the loaned sum and interest shall be returned to the pledgor upon surrender of receipt. The acknowledgment of the receipt of the pledge must read (without further addition):

"I (or we) have received the security.

"(Place.)

"(Date.)

"(Signature.)"

SEC. 8. All payments of capital, interest, and costs by the debtor are recorded by the Reichsbank according to the prescribed provisions, but no further note is to be made on the receipt for the pledge or its duplicate (sec. 12). Repayments made at a Reichsbank suboffice are recognized by the Reichsbank only if the payer sends immediate notice to that effect to the Reichsbank main office or to that Reichsbank office which issued the receipt for the pledge.

SEC. 9. If the pledge has not sufficient value to satisfy the Reichsbank fully, the latter is entitled to a personal claim on the borrower for the deficiency, even if he transfers his rights and obligations to another.

SEC. 10. The changes made by the Reichsbank in the receipt for the pledge, with reference to the capital or the pledge itself, are binding for both parties.

SEC. 11. The above provisions are similarly applicable to the newly added pledges and loans. The Reichsbank may compensate itself for its capital, interest, and costs from the aggregate of pledges, irrespective of the time when the new pledges were added or the new loans made, and, according to section 3, the pledges may be sold by the Reichsbank in the aggregate or singly.

SEC. 12. The borrower has to acknowledge the receipt of the pledge (*Pfandschein*) on a duplicate, which is to remain with the Reichsbank. If the receipt is mislaid, the duplicate with the changes made in it by the Reichsbank shall have full force for both parties.

SEC. 13. With respect to the safe-keeping of pledges the Reichsbank has to take such precautionary measures as it is accustomed to take on its own behalf (sec. 277 of the "Bürgerliches Gesetzbuch"), except in cases relating to the

special provision of section 20. The Reichsbank is in no case, not excepting time of war, required to transfer the deposit to another place.

(*b*) SPECIAL PROVISIONS.

I.—*Pledges of state and communal paper, mortgage bonds, shares, and similar securities, as well as of bills of exchange.*

SEC. 14. The Reichsbank does not concern itself with the redemption of pledged papers and the announcement of their recall or changes regarding them that may take place at any time. This is the business of the borrower, who alone is affected by disadvantageous results if the necessary steps are not taken. He must also bear the results of a wrong or premature detachment, realization, surrender, or remittance of interest coupons, irrespective of whether the said detachment, etc., was made by himself or by the officials of the Reichsbank, and, in the latter case, it is also of no consequence whether it was done with or without the knowledge of the borrower.

SEC. 15. If, during the period of the loan, the exchange value of the security falls as much as 5 per cent, the borrower is required to restore the security to the original amount within three days, either by making a partial repayment or by raising additional security, according to the choice of the Reichsbank. If the pledgor does not comply with this provision, the Reichsbank (if it does not desire to demand the restoration of the security in a legal procedure) is empowered, but is not required, to recompense itself out of the security, according to section 3, and to draw on the debtor, in case of an uncovered balance, according to section 9.

SEC. 16. Bills and other papers not payable to bearer must be provided with the blank indorsement of the pledger; and the Reichsbank is authorized, for the purpose of receiving compensation, either to sell the securities, according to section 3, or to draw on the debtor at the risk of the latter, and to fill out in each case the blank indorsement to itself or to a third party. The blank indorsement constitutes an obligation to the Reichsbank, according to the laws of bills of exchange.

II.—*Loans on merchandise.*

SEC. 17. The storehouses, as well as the date of appraisement of merchandise, the possession of which is transferred to the Reichsbank, are to be mentioned in the receipt. The storehouse may not be changed without the consent of the Reichsbank. The removal of the pledge to another place does not affect the Reichsbank's right of possession, and no new certificate of transfer is needed.

SEC. 18. If the goods are stored in warehouses or depositories which are under the supervision of public officials, or in a warehouse belonging to a private corporation, or if the goods are kept in any other manner outside of the Reichsbank, their ownership is to be transferred to the Reichsbank in the legally necessary form, in accordance with each individual case.

SEC. 19. The goods must be protected against fire by sufficient insurance as long as they are kept as a pledge by the Reichsbank. The insurance policy is to be handed in to the Reichsbank, and with it the privilege is granted to the latter of compensating itself in case of damage to the pledge by fire. The Reichsbank has the right, but

is not obliged, to renew the insurance at the risk and expense of the pledger and to take charge of the new policies with the same authority, whether they read in its own or in the name of the borrower. In the case of damage by fire, the debtor is to decide whether he is going to cover his debt out of the insurance premium. The pledger is obliged to consult the Reichsbank in his negotiations with the insurance companies concerning the appraisal of the damages to the pledged goods, and may not, without its agreement, enter into any settlement by which the loan, together with interest and costs, is not covered.

SEC. 20. The Reichsbank is not responsible for any damage to the goods while in pledge, which may result without gross neglect on its part, be it through leakage, evaporation, or verminous and other ruinous causes, irrespective of whether the said goods are stored in the houses of the Reichsbank or elsewhere. It is the business of the pledger—and the Reichsbank may not hinder him—to examine the goods at frequent intervals and to make the necessary effort for their preservation.

SEC. 21. The costs arising through transporting, appraising, storing, inspecting, packing, or sorting the goods, or through other measures considered necessary by the Reichsbank, as well as the costs arising from the keeping of goods in the Reichsbank warehouses, are to be defrayed by the pledger. The goods and the insurance policy, together with the renewed policy, serve as security to the Reichsbank for all costs incurred by it, including the expense for insurance against fire.

SEC. 22. If the pledged goods fall, while in pledge, one-sixth below the appraised or market price, or if they lose one-sixth of their value through a change in their utility or quantity, according to an appraisement made by the Reichsbank through one of its official appraisers or through another expert, the debtor is required to give an additional pledge for, or to repay the equivalent of, the depreciation of the pledge. If the pledger does not comply with either of these provisions, the Reichsbank (if it does not desire to demand the restoration of the pledge in a legal procedure) is empowered, but not required, to recompense itself out of the pledge, according to section 3, and to draw on the debtor, in case of an uncovered balance, according to section 9.

B. CLASSIFICATION OF SECURITIES WHICH MAY BE HYPOTHECATED IN THE REICHSBANK.

CLASS I.—*Domestic securities.*

The following can be hypothecated at three-fourths of their value:

1. *Bonds, annuities, etc.*—(*a*) Interest-bearing bonds of the Empire, or of a German State, or those maturing within one year and payable to bearer, including interest-bearing premium bonds. The latter, however, are acceptable at the value of at least 15 marks under the lowest premium rate of the nearest drawing.

(*b*) Tax-indemnity certificates (*Steuervergütung-Anerkenntnisse*) drawn by the tax authorities of German States for brandy exported or to be exported, and export-

allowance certificates for sugar (the day on which these papers fall due is to be observed).

(*c*) State bonds of the former Kingdom of Hanover.

Annuities (*Rentenbriefe*) of the Prussian annuity banks.

Provincial annuities (*Landrentenbriefe*) of Anhalt (small German State).

Royal provincial annuities (*Landrentenbriefe*) of Saxony.

Royal agricultural annuities (*Landeskulturrentenscheine*) of Saxony.

Brunswick-Lüneburg bonds (*Leihhaus-Obligationen und Landesschuldverschreibungen*).

Royal Bavarian 4 per cent bonds (*Grundrentenablösungs-Schuldbriefe*).

Railroad bonds of the Bavarian Bank in Nüremberg.

Bonds of the East African Railroad Company in Berlin (guaranteed at 3 per cent by the Empire, and reading to bearer).

Bonds of the State Credit Bank (*Kreditanstalt*) of the Duchy of Oldenburg (payable to bearer).

Bonds of the Ducal Landesbank in Altenburg.

Bonds of the Ducal Landeskreditanstalt in Gotha (payable to bearer).

Bonds of the Grand Ducal Landeskreditkasse in Weimar (3½ and 4 per cent bonds).

Bonds of the Landeskreditkasse of Schwarzburg-Rudolstadt in Rudolstadt (payable to bearer).

Bonds of the Ducal Landrenten Bank of Saxony in Coburg (payable to bearer).

Bonds of the Ducal Landeskreditanstalt in Meiningen.

(*d*) The following earlier railroad stocks and bonds which were taken over as fixed interest loans by the respective States are regarded as state securities:

The Altdamm-Kolberg Railroad bonds at 3½ per cent (these expired on the 1st of June, 1908).

The Berg-Mark preferred railroad bonds at 3½ per cent.

The Brunswick preferred railroad bonds at 4½ per cent.

The Magdeburg-Wittenberg original railroad shares (accepted by the Prussian state at 3 per cent).

The Leipzig-Dresden Railroad Company bonds (now Saxon bonds at 3½ per cent).

The Löbau-Zittau Railroad stocks, Lit. A (now Saxon state bonds at 3½ per cent)

The Löbau-Zittau Railroad stocks, Lit. B (now Saxon state bonds at 4 per cent).

(*e*) Provincial, district, city, dike-building, and other bonds, the interest and sinking fund of which are raised by means of taxation, are accepted within the limits fixed by the Reichsbank board of directors:

The bonds of the Hannoverische Landeskredit-Anstalt in Hannover.

The bonds of the Landescreditkasse in Cassel (payable to bearer).

The bonds of the Leihbank in Hanau.

The bonds of the Leih- und Pfandhaus in Fulda.

The bonds of the Nassauische Landesbank in Wiesbaden (payable to bearer).

The bonds of the Württembergische Kreditverein in Stuttgart.

2. *Mortgage bonds, communal bonds, etc.*—(*a*) Bonds issued by the following provinces, provincial credit unions, associations, and the like:

The Berlin Pfandbrief-Amt in Berlin (mortgages).

Centrallandschaft für die preussischen Staaten in Berlin (mortgages).

Prussian Provinziallandschaften (mortgages).

The Erbländischer Ritterschaftlicher Kreditverein of Saxony at Leipzig (mortgages).

The Kur- und Neumärkische Ritterschaftliche Darlehne in Berlin (communal bonds).

The Landschaftlicher Kreditverband for the Province of Schleswig-Holstein in Kiel (mortgages).

The Landständische Bank des Königl. Sächsischen Markgraftums Oberlausitz in Bautzen (mortgages and 3½ per cent bonds of 1905).

The Landwirtschaftlicher Kreditverein im Königreich Sachsen zu Dresden (mortgages and bonds).

The Mecklenburgischer Ritterschaftlicher Kreditverein in Rostock (mortgages)

(*b*) Bonds issued by the following joint-stock mortgage banks: [a]

The Aktien-Gesellschaft für Boden- und Kommunalkredit in Alsace-Lorraine in Strassburg (Alsace).

The Bavarian Bodenkredit-Anstalt in Würzburg.

The Bavarian Handelsbank in Munich.

The Bavarian Hypotheken- und Wechselbank in Munich.

The Bavarian Vereinsbank in Munich.

The Berlin Hypothekenbank (stock company) in Berlin.

The Brunswick-Hanover Hypothekenbank in Brunswick.

The Deutsche Grundkreditbank in Gotha.

*The Deutsche Hypothekenbank (stock company) in Berlin.

*The Deutsche Hypothekenbank in Meiningen (also its premium mortgage bonds).

*The Frankfurt Hypothekenbank in Frankfurt (Main).

The Frankfurt Hypotheken-Kreditverein in Frankfurt (Main).

The Hanover Boden-Kreditbank in Hildesheim.

*The Hessische Landes-Hypothekenbank in Darmstadt.

The Hypothekenbank in Hamburg.

The Leipzig Hypothekenbank in Leipzig.

The Mecklenburg Hypotheken- und Wechselbank in Schwerin.

The Mitteldeutsche Bodenkredit-Anstalt in Greiz.

The Norddeutsche Grund-Kreditbank in Weimar.

*The Pfälzische Hypothekenbank in Ludwigshafen.

The Prussian Bodenkredit-Aktienbank in Berlin.

*The Prussian Central-Bodenkredit-Aktiengesellschaft in Berlin.

The Prussian Hypotheken-Aktien-Bank.

*The Prussian Pfandbrief-Bank in Berlin.

*The Rheinische Hypothekenbank in Mannheim.

[a] Besides mortgage bonds to bearer, the starred municipal bonds to bearer issued by mortgage banks (*Hypothekenbanken*) can be hypothecated.

The Rhine-Westphalian Boden-Kredit-Bank in Cologne.
The Sächsische Bodenkreditanstalt in Dresden.
*The Silesian Boden-Kredit-Aktien-Bank in Breslau.
The Schwarzburgische Hypothekenbank in Sondershausen.
The South German Bodenkreditbank in Munich.
The Vereinsbank in Nüremberg (land-credit bonds).
The Westdeustche Bodencreditanstalt in Cologne.
The Württemberg Hypothekenbank in Stuttgart.

3. Railroad original securities of—

The Brunswick Landes-Eisenbahn.
The Crefelder Eisenbahn.
The Halberstadt Blankenburger Eisenbahn.
The Lübeck-Büchner Eisenbahn.
The East Railroad Company in Berlin (guaranteed by the Empire at 3 per cent, shares payable to bearer).
The Pfälzische Ludwigsbahn.
The Pfälzische Maxbahn.
The Pfälzische Nordbahn
The Zschipkau-Finsterwalder Eisenbahn-Gesellschaft.

4. Railroad original preferred stocks of the Prignitz Railroad Company.

5. Railroad preferred bonds of—

The Brunswick Landes-Eisenbahn.
The Crefelder Eisenbahn (3½ per cent).
The Eutin-Lübecker Eisenbahn (of 1881, 4 per cent).
The Halberstadt-Blankenburger Eisenbahn (of 1884, 1895, 1903, 1906, 3½ per cent).
The Kremmen-Neuruppin-Wittstocker Eisenbahn-Gesellschaft (of 1904, 3¾ per cent).
The Lausitz Eisenbahn (4 per cent).
The Lübeck-Büchner (3½ and 4 per cent).
The South German Eisenbahn in Darmstadt (3½ per cent).
The Zschipkau-Finsterwalder Eisenbahn (of 1898, 3½ per cent).
The Pfälzische Eisenbahn (3¾ and 4 per cent).

CLASS II.—*Foreign securities.*

[Can be hypothecated at one-half of their exchange value.]

1. Railroad bonds which were taken over by the Russian Government:

Three per cent Great-Russian Railroad bonds of 1881.
Four per cent Moskow-Kursk Railroad bonds.
Four per cent Oral-Griasi bonds of 1887 and 1889.
Three per cent Transcaucasian bonds.

2. Bonds of the following railroads directly guaranteed by Russia:

The 4 per cent Ivangorod-Dombrovo (first emission).
The 4 per cent Kozlow-Woronezh-Rostow of 1887 and 1889.
The 4 per cent Kursk-Kiev.
The 4 per cent Lodz Factory Railroad Company of 1901.
The 4 per cent Moscow-Yaroslav-Archangel of 1897.
The 4 per cent Moscow-Kasan of 1901.
The 4 per cent Moscow-Kiev-Woronezh of 1895.
The 4 per cent Moscow-Ryazan of 1885.
The 4 per cent Moscow-Smolensk.
The 4 per cent Moscow-Windau-Rybinsk of 1897 and 1898.
The 4 per cent Ryazan-Kozlow of 1886.
The 4 per cent Ryazan-Uralsk of 1894, 1897, and 1898.
The 4 per cent Russian Southeastern Railroad of 1897, 1898, and 1901.
The 4 per cent Russian Southwestern Railroad of 1885.
The 4 per cent Rybinsk of 1895.
The 4 per cent Wladikavkas of 1885, 1895, 1897, and 1898.

3. Miscellaneous:

Bonds of the United States of America.
Italian rente:
Italian 3 per cent railroad preferred bonds:
Mediterranean Railroad Company.
Meridional Railroad Company.
Sicilian Railroad Company.
The 3 per cent Norwegian State loan of 1888.

The 4 per cent Austrian gold annuities.
The 5 per cent Russian-English loan of 1822.
The 3 per cent Russian-English loan of 1859.
The 4 per cent Russian loan of 1880.
The 5 per cent Russian gold annuities of 1884.
The 4 per cent Russian gold loans of 1889, 1890, and 1894.
The 4 per cent Russian Consolidated Railroad loans of 1889 and 1891.
The 4 per cent Russian State loans of 1902.
The 4½ per cent Russian State loans of 1905.
The 3½ per cent Swedish State loans of 1886 and 1890.
The 3 per cent Swedish State annuities of 1888.
The 3 per cent Hungarian gold loan of 1895.
The 4 per cent Hungarian gold annuities.

VI.—*Deposit and transfer of bank-accounts transactions (Giroverkehr).*

Giro transactions are open to all classes alike. Private persons may be provided with giro accounts, as well as merchants, institutions, and public authorities.

A. UNLIMITED GIRO TRANSACTIONS.

Unlimited giro transactions—in contrast to the limited (see below, B)—are carried on in the principal office of the Reichsbank, the Reichsbank local main offices, the Reichsbank local offices, and in the Reichsbank sub-offices which have at least two officials, according to the following provisions: [a]

1. The application for an account is to be made at the Reichsbank office of the district where the applicant resides.

[a] For the giro business of the Reichsbank main office in Hamburg special provisions, varying in particulars, are issued.

2. If the application is accepted, the applicant receives, together with the necessary blanks, an account book in which all amounts of money coming in from or for him, in cash or by transfer to his account, are entered by the Reichsbank. No other certificates are given.

3. Cash deposits, negotiated bills of exchange, loans issued on pledges, bills, and checks which are payable at the respective Reichsbank offices and are satisfactorily covered, are credited at once to the giro account.

4. The account holder can withdraw his deposits at any time in convenient amounts, but, aside from the regulations of section 8, only by means of checks on blanks furnished to him by the Reichsbank. Orders issued otherwise will not be considered.[a]

5. Cash withdrawals are made by means of white checks, which are to be made out to a definite person or firm, with the addition "or bearer." The Reichsbank pays the amount to the bearer without verifying his right to it, even if the check is drawn to order.[b]

If the check is to be used only for settlement with the Reichsbank, or with another account holder, it must be crossed—that is, it must be provided with a written or printed note across the face, "For placing to account only." In this case the Reichsbank must not pay out the amount in cash.

For transfers of accounts to the same or another banking city, red check blanks are to be used. They must be made

[a] It is recommended that checks be provided with the stamp of the firm issuing them.

[b] Concerning the redemption of white checks at another office than the one keeping the account, cf. IX, 2.

out to the order of a particular person[a] and are not transferable.[b]

The deposits may be used to defray all charges of the Reichsbank, and even those not yet due.

6. No claims of an account holder can be brought against the Reichsbank concerning the execution of a giro commission after the expiration of two years. The term of limitation begins with the close of the year in which the order was given to the Reichsbank.

7. The check blanks will be furnished by the Reichsbank to each account holder on demand, in books of 50 blanks minimum, which must be receipted by him.[c]

The account holder is required to hold the check blanks in proper safety, since he bears all the disadvantageous results arising from their loss if he does not at once give written notice of the loss to the bank keeping his account, in order to prevent payment to the wrong person.

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[a] Since it is not the business of the bank to demand proof whether the designated receiver has a giro account with the Reichsbank, the use of the "List of names of the Reichsbank of giro account holders" is recommended. This list is published by A. Bath, in Berlin. Giro customers are also recommended to have the heading "Reichsbank giro account" on their letter paper and checks.

[b] If the red checks intended for transfers to another bank city are delivered between 4 and 4.30 in the afternoon, a fee of 50 pfennigs and, if delivered between 4.30 and 5, a fee of 1 mark is to be collected for each transfer by the Reichsbank.

For each withdrawn transfer a fee of 1 mark is to be collected.

For each transfer to another city which, on the written order of the deliverer of the red check, is to be dispatched at once, a fee of 1 mark will be charged, besides the postage, if long-dated bills equal to the dispatched amount are not discounted at the same time.

[c] For the purpose of receiving a new check book, there is a receipt before the last blank, which must be carefully guarded. The new check book is issued only when the receipt is filled out to bearer by the account holder, or by his representative. The Reichsbank is empowered, but not required, to verify the authenticity of the signatures.

The account holder of the Reichsbank is likewise responsible if he does not fill out the check blank so that forgery is impossible; or if, before the issue of the check, he does not cross out the figures of the right column of the white check which exceed the amount of the check. Checks containing written insertions between the printed lines are rejected.

Spoiled check blanks are to be returned to the Reichsbank, with the stamp of the firm or the name of the account holder on them.

8. Bills drawn on an account holder[a] are to be made payable at the Reichsbank, or at another banking house which has daily clearings with the Reichsbank, and are to be properly certified (see below VII, the list of the clearing houses). Bills in the possession of the Reichsbank which are made payable neither at its offices nor at any of the banking houses named in this list, or which are not properly certified, must be paid in cash.

Redeemed securities will be returned to the account holder upon his receipt.

9. If the account holder desires to draw a bigger amount than his deposit, the Reichsbank shall not only refuse payment, but it also reserves the right of breaking off all business relations with him at once. If he draws his whole deposit, he expresses thereby his intention of discontinuing his account. In the latter case all check blanks are to be returned to the Reichsbank.

10. Giro deposits bear no interest.

[a] Domiciled bills drawn on an account holder may be made payable at the bank office which keeps the account. The bill must read as follows: "Payable at the Reichsbank ------ in ------ on the account of -------."

11. The account books are to be balanced and submitted to the bank as often as possible,[a] but in any case on the 4th of each month (with the exception of the 4th of January) and on the 28th of December.[b]

12. The Reichsbank expects that the account holders will make regular use of the privilege granted them by section 8, but they are forbidden to use giro payments for persons who are not account holders. The cash deposit should not fall below a certain limit; otherwise it can hardly claim the interest of the management. The bank reserves the right of breaking off its relations with the account holder without any notice but a written announcement, if this requirement is not conformed with or if the former considers such a step necessary for other reasons.

Furthermore, the present provisions can be changed at any time after a public announcement of fourteen days' notice in the papers designated in section 30 of the Reichsbank statute.

13. Before receiving an account book, the applicant must show his compliance with these provisions by affixing his signature to the latter. The signatures of the other persons who, in the capacity of business partners and the like, have a right to sign their names for the firm having a giro account, must be presented to the Reichsbank. Superintendents and agents must also sub-

[a] The account book is to be submitted, if possible, every time a deposit is made in cash. The credit side (at the right) is to be filled out only by the bank; the account on the debit side (at the left) is to be kept by the account holder.

[b] This applies only to Berlin; in other cities the book must be balanced and submitted at the latest on the 7th of July and the 31st of December of each year.

mit special certificates according to the forms prescribed by the Reichsbank. All signatures and certificates submitted to the Reichsbank remain in effect until the bank office receives written notice of their invalidation.

B.—LIMITED GIRO TRANSACTIONS.

The foregoing provisions for unlimited giro business are applicable to the suboffices of the Reichsbank which are managed only by one official, with the following limitations:

1. Applications for receiving an account book are to be sent to the Reichsbank suboffice, which will keep the account.

2. If a deposit made with a Reichsbank suboffice exceeds the amount of 5,000 marks, it is acknowledged by the Reichsbank only if on the day of deposit the account holder sends written notice to that effect to the bank office which has charge of the suboffice. If several deposits are made on one day, each amounting to less than 5,000 marks, but exceeding that sum in the aggregate, written notice is to be sent with regard to the total deposit.

3. Cash withdrawals are made only by means of white checks, issued to the order of a definite person or firm and containing the phrase addition "or bearer." They are to be paid by the suboffice, if the latter has sufficient funds, or by the bank office in charge of the suboffice. The Reichsbank pays the amount to the bearer without verifying the legitimacy of his claim, even if the check is indorsed to a definite person.

4. If the account holder desires the redemption of a white check at the bank office in charge, he must first present the check to the suboffice, where it must be stamped.

5. Giro transfers on red checks in amounts of from 1,000 to 150,000 marks will be executed directly by the designated suboffice without the mediation of the office in charge; sums exceeding 50,000 marks, however, are transferred only in case bills or loans are negotiated simultaneously by the conveyor, upon which the Reichsbank realizes interest for a minimum period of ten days. Transfers on red checks in amounts of less than 1,000 marks will be conveyed directly to the designated institution only if a fee of 30 pfennigs for each transfer is paid to the suboffice.

6. Bills on an account holder are to be made payable at the Reichsbank suboffice, at the bank office in charge of the same, or at a banking house having daily clearings with the latter, and are to be properly certified. Bills in the possession of the Reichsbank suboffices which are not made payable at those offices, or are not properly certified, must be paid in cash.

7. The account books of the suboffices which have not the right of unlimited transfer are to be sent semiannually to the bank office in charge, for the purpose of verifying the accounts.

8. Before receiving an account book the applicant must show his compliance with these provisions by affixing his signature to the latter. The signatures of the other persons, who, in the capacity of business partners or the

like, have a right to sign their names for the firm having a giro account, must be presented to the Reichsbank suboffice and to the bank office in charge of the same. Superintendents and agents must also submit to the suboffice special certificates, made out in accordance with the forms prescribed by the Reichsbank. All the signatures and certificates submitted to the Reichsbank remain in effect until the Reichsbank suboffice, as well as the bank office in charge, receives written notice of their invalidation.

VII.—*Clearing houses and their members.*

A.—CLEARING HOUSES.

Clearing houses are established in the following cities:

Berlin.
Brunswick.
Bremen.
Breslau.
Chemnitz.
Cologne.
Dortmund.
Dresden.
Elberfeld.
Frankfurt (Main).
Hamburg.
Leipzig.
Munich.
Stuttgart.

B.—MEMBERS OF THE CLEARING HOUSES.

Berlin.

Bank des Berliner Kassen-Vereins.
Bank für Handel und Industrie.
Berliner Handels-Gesellschaft.
Bleichröder, S.
Commerz- und Disconto-Bank.
Delbrück, Leo, & Co.
Deutsche Bank.
Direction der Disconto-Gesellschaft.
Dresdner Bank.
Engelhard, C. R.
Königliche Seehandlung (Prussian State Bank).
Krause, F. W., & Co.
Mendelssohn & Co.
Mitteldeutsche Creditbank.
Nationalbank für Deutschland.
Reichshauptbank.
Schaafhausen'scher Bankverein.
Schickler Brothers.

Brunswick.

Brunswick Privatbank Aktiengesellschaft.
Brunswick Bank und Kreditanstalt Aktiengesellschaft.
Bremer, L., & Co
Gutkind, M., & Co.
Löbbecke Brothers & Co.
Meyersfeld, D.
Nathalion, R. S. (successor).
Uhl, C., & Co.

B.—MEMBERS OF THE CLEARING HOUSES—continued.

Bremen.

Bank für Handel und Gewerbe.
Bremer Bank Filiale der Dresdner Bank.
Bremer Filiale der Deutschen Bank.
Deutsche Nationalbank.
Direction der Disconto-Gesellschaft.
Bernhard, Loose & Co.
Plump, Carl F., & Co.
Reichsbankhauptstelle.
Sparkasse, Die, in Bremen.
Weyhausen, E. C.

Breslau.

Breslauer Disconto-Bank.
Breslauer Wechslerbank.
Dobersch & Bielschowsky.
Eichborn & Co.
Guttentag Brothers.
Heimann, E.
Landsberger, S. L.
Nelken, Marcus & Son.
Oppenheim & Schweitzer.
Pachaly's Enkel, G. von.
Prinz & Marck, jr.
Reichsbankhauptstelle.
Schlesischer Bank-Verein.
Schlesische Handelsbank.
Schlesische Landschaftliche Bank zu Breslau.

Chemnitz.

Chemnitzer Bank-Verein.
Chemnitze Stadt-Bank.
Dresdner Bankverein.
Dresdner Bankverein; Branch: Ernst Petasch.
Filiale der Allgemeinen Deutschen Credit-Anstalt.
Filiale der Allgemeinen Deutschen Credit-Anstalt; Branch: Kunat & Nieritz, Chemnitz.
Filiale der Dresdner Bank in Chemnitz.
Filiale der Sächsischer Bank zu Dresden.
Metzner, F.
Reichsbankstelle.

Cologne.

Barmer Bankverein, Hinsberg, Fischer & Co., Cologne.
Bergische-Märkisch Bank, Cologne.
Deichmann & Co.
Hess, L., & Sons.
Oppenheim, S., jr. & Co.
Reichsbankhauptstelle.
Rheinisch - Westfälische Disconto-Gesellschaft, Cologne.
Schaafhausen'scher Bank-Verein.
Seligmann, Leopold.
Stein, J. H.

B.—MEMBERS OF THE CLEARING HOUSES—continued.

Dortmund.

Deutsche Nationalbank (Kommanditgesellschaft auf Atkien).
Dortmunder Bankverein, Zweiganstalt des Barmer Bankvereins, Hinsberg, Fischer & Co.
Essener Credit-Anstalt in Dortmund.
Märkische Bank.
Reichsbankhauptstelle
Rheinisch - Westfälische Disconto-Gesellschaft.
Stern Brothers.
Wiskott & Co.

Dresden.

Allgemeine Deutsche Credit-Anstalt Abteilung, Dresden.
Arnhold Brothers.
Bassenge, H. William, & Co.
Dresdner Bank.
Dresdner Bankverein.
Dresdner Filiale der Deutschen Bank.
Elimeyer, Philip.
Reichsbankhauptstelle.
Sächsische Bank zu Dresden.

Elberfeld.

Bergisch-Märkische Bank.
Elberfelder Bankverein.
Heydt-Kersten, Von der, & Sons.
Reichsbankstelle.
Wichelhaus, I., & Son.

Frankfurt (on Main).

Deutsche Effekten- und Wechselbank.
Deutsche Vereinsbank.
Direction der Disconto-Gesellschaft.
Dresdner Bank in Frankfurt (on Main).
Dreyfus, J., & Co
Filiale der Bank für Handel und Industrie.
Frankfurter Bank.
Frankfurter Filiale der Deutschen Bank.
Goll, John, & Sons.
Grunelius & Co.
Hauck, George, & Son.
Ladenburg, E.
Metzler, B.
Mitteldeutsche Creditbank.
Neufville, D. & J. de.
Pfälzische Bank.
Reichsbankhauptstelle.
Schuster Brothers.
Speyer-Ellissn, L.
Wertheimber, L. & E.

B.—MEMBERS OF THE CLEARING HOUSES—continued.

Hamburg.

Commerz- und Disconto-Bank.
Filiale der Dresdner Bank in Hamburg.
Hamburger Filiale der Deutschen Bank.
Norddeutsche Bank in Hamburg.
Reichsbankhauptstelle.
Vereinsbank in Hamburg.

Leipzig.

Allgemeine Deutsche Credit-Anstalt.
Bruhm & Schmidt.
Credit- und Spar-Bank.
Dresdner Bankverein.
Filiale der Sächsischen Bank zu Dresden.
Frege & Co.
Hammer & Schmidt.
Knauth, Nachod & Kühne.
Leipziger Filiale der Deutschen Bank.
Meyer & Co.
Plaut, H. E.
Privatbank zu Gotha, Leipzig Branch.
Reichsbankhauptstelle
Salefsky, I. G.
Vetter & Co.

Munich.

Bayerische Bank für Handel und Industrie.
Bayerische Filiale der Deutschen Bank.
Bayerische Handelsbank.
Bayerische Hypotheken- und Wechselbank.
Bayerische Notenbank.
Bayerische Vereinsbank.
Filiale der Dresdner Bank.
Königliche Filialbank.
Merck, Finck & Co.
Münchener Industriebank.
Pfälzische Bank.
Reichsbankhauptstelle.

Stuttgart.

Allgemeine Renten-Anstalt zu Stuttgart.
Doertenbach & Co.
Hartenstein & Co.
Hummel, E., & Co.
Keller's Sons, G. H.
Königl. Württembergische Hofbank.
Lebens- und Rentenversicherungsverein auf Gegenseitigkeit.
Reichsbankhauptstelle.
Stahl & Federer Aktien-Gesellschaft.
Württembergische Bankanstalt, vormals Pflaum & Co.
Württembergische Landesbank.
Württembergische Notenbank.
Württembergische Vereinsbank.

VIII.—*Transfers to accounts and remittances.*

The Reichsbank accepts payments for the account of third parties to be remitted through its domestic offices, as well as through its correspondents in foreign countries.

Transactions named below in 2, 3, and 4 are carried on only by those Reichsbank suboffices which are authorized to purchase bills.

A. DOMESTIC BANKS.

1. TRANSFERS TO FOREIGN GIRO ACCOUNTS.

Cash deposits are accepted during business hours to be transferred to the account of all firms having giro accounts with a bank office.

Postal money orders received by persons having no giro account may be conveyed to the account of a giro depositor.

The term for claims against wrong transfers expire after the lapse of six months.

The Reichsbank is not responsible for deposits exceeding 5,000 marks made with the Reichsbank suboffice for the purpose of transfer to another's account or for remittance through a Reichsbank local main office, or a Reichsbank local office, unless the depositor sends on the same day written information to that effect to the bank office in charge of the suboffice.

The fee is 10 pfennigs for every 1,000 marks, but not less than 30 pfennigs for each transfer. For each transfer

made during business hours at noon from 12.30 to 1 o'clock, or during the afternoon hours up to 4 o'clock, an additional fee of 50 pfennigs, and after 4 o'clock an additional fee of 1 mark, is to be paid.

For transfer orders made by mail, either by account or non-account holders of other bank offices, a fee of 20 pfennigs for each 1,000 marks, and not less than 50 pfennings, will be collected for each individual amount, irrespective of the fact whether it is to be transferred to the account of a depositor of the same bank or remitted to another bank.

No fee is charged for remittance of:

(*a*) Bills and mortgages from which the Reichsbank realizes interest for a minimum period of ten days.

(*b*) Cash remittances to the giro-account of the Reichsbank Securities' Department which are made for the purchase of securities, or which are intended as interest on mortgage bonds deposited with the bank to be transferred to the account of the depositor.

2. REMITTANCES.

All banks will accept money to be remitted to a third person. Remittances which have to be disbursed by a Reichsbank suboffice managed by only one official may not exceed the amount of 20,000 marks.

The independent bank offices and the Reichsbank suboffices which are managed by at least two officials shall issue a receipt for the sum remitted, while those Reichsbank suboffices managed by only one official shall give a provisionary receipt, which is to be exchanged for one issued by its supervisory bank office. With regard to

remittances of more than 5,000 marks made through the suboffices, cf. above, with reference to transfers of accounts (VIII, 1, par. 4).

For remittances of sums up to 2,500 marks, fees of one-fifth of 1 per cent and not less than 50 pfennigs are to be charged; for higher amounts, 1 pfennig more is charged for each 50 marks or fraction thereof.

For each remittance made during the business hours at noon from 12.30 to 1 o'clock, or during the afternoon until 4 o'clock, an additional fee of 50 pfennigs, and after 4 o'clock a fee of 1 mark, is to be paid.

The following are exempt from the fee:

(*a*) Remittances from one bank office to another arising from transactions in securities on which a fee was realized.

(*b*) Remittances of bills and mortgages on which the bank realizes interest for a minimum period of ten days.

3. DRAFTS.

The Reichsbank, the Reichsbank local main offices, and the Reichsbank local offices may draw on each other by special order to unlimited amounts. The remitter is to bear the cost of the stamp to be affixed in such cases. The fees are the same as under No. 2.

No fee is charged for bills and mortgage drafts on which the bank realizes at least ten days' interest.

4. LETTERS OF CREDIT.

Simple, as well as circular, letters of credit, good for a maximum period of six weeks, may be issued by the independent bank offices on the Reichsbank, as well as on

all Reichsbank local main offices and Reichsbank local offices.

A fee of one-half of 1 per cent of the full amount for which these letters are issued, whether the credit is to be used all at once or in parts, is to be paid to the bank.

If the receiver of a letter of credit sells deposited or other bills or negotiates a loan on securities, the fee of one-half of 1 per cent of the amount of discounted bills, or of the loan made, will be refunded to him, or charged to his credit, provided the bank realizes ten days' interest from this transaction (including the interest on the loan).

B. FOREIGN COUNTRIES.

1. REMITTANCES TO FOREIGN COUNTRIES.

The Reichsbank makes remittances to foreign countries through its correspondents in the places named in III, b, and in English secondary cities. In the latter case it is necessary that the name of the remitter, the remittee, and the provincial bank which keeps the account of the latter be given. Obligations to deliver the order on a definite day can not be assumed.

The rate is to be computed according to the short rate of the day on which securities can be purchased in Berlin. Interest will be calculated at the interest rates of the respective countries as follows: Remittances to England, for nine days; to Italy, for eight days; to other places for six days.

The fee amounts to 1 per cent, and not less than 1 mark. No fee is charged if the bank realizes ten days' interest.

2. REMITTANCES FROM FOREIGN COUNTRIES TO GERMANY.

Transfers of bank accounts, as well as remittances through the Reichsbank and its branch offices to third parties, are made by all the Reichsbank correspondents in foreign cities.

The fee to be paid by the remittee amounts to 1 per cent, and must be not less than 1 mark.

IX.—*Business on commission.*

1. COLLECTION OF BILLS OF EXCHANGE, DRAFTS, CHECKS, NEGOTIABLE PAPERS, ETC.

Bills of exchange, drafts, checks on domestic banking houses, and negotiable papers of all kinds, which are payable within fourteen days in the mark standard in cities having bank institutions, will be accepted for collection by the bank offices from persons and firms within their business district on each week day during morning business hours. The papers are to be indorsed to the bank office of the place of payment and must contain the note "for collection" and, if they have less than five days to run, they must be provided with the phrase "without obligation for presentation or protest at the due time," since the Reichsbank can not send each bill separately, and, on this account, can not undertake the proper presentation or protest of bills which are handed in late.

Orders from persons or houses outside its business district will be executed by a bank only in exceptional cases.

Fees will be calculated as follows:

(*a*) One per cent for bills of exchange, drafts, checks on domestic banking houses which are not connected with a clearing house, receipts, etc., on foreign banks which do not exceed 10,000 marks; in case of bigger amounts, one-fifth of 1 per cent. Not less than 50 pfennigs is to be charged for each piece.

(*b*) Two per cent, and not less than 50 pfennigs, for bills, etc., from persons or houses outside the business district of the bank (with the exception of papers drawn payable to the Reichsbank).

(*c*) One-fifth of 1 per cent, and not less than 50 pfennigs, for checks on members of foreign clearing houses connected with the Reichsbank.[a]

(*d*) For unpaid securities (in whatever amount), 1 mark is to be collected for each piece, besides the costs of postage and protest. If no protest is made, only 50 pfennigs per piece will be charged besides the cost of postage.

(*e*) For recalled commission papers, whether they have or have not been sent out, 50 pfennigs per piece; in the former case, in addition to the fee of 50 pfennigs, the incurred cost of postage will also be collected.

No fee is charged for checks on the Prussian *Central Genossenschafts-Kassen* in Berlin.

2. COLLECTION OF REICHSBANK CHECKS AND REICHSBANK DOMICILED BILLS.

White checks on the Reichsbank are cashed by all the Reichsbank offices upon proof of their validity. A fee of one-fifth of 1 per cent, and not less than 30 pfennigs,

[a] See above, VII.

will be charged for cashing those white checks which have to be sent by mail to a bank office within the German Empire or which are presented for payment to a bank office other than the one keeping the account.

A fee of one-half of 1 per cent, and not less than 50 pfennigs for each piece, will be charged for checks received from foreign countries.

A fee of one-fifth of 1 per cent of the face value, and not less than 50 pfennigs for each piece, will be collected for Reichsbank domiciled bills, regardless of the place where they were issued or of how they came to the collecting Reichsbank office.

3. COLLECTION OF INTEREST AND DIVIDEND COUPONS.

Interest and dividend coupons, which are payable in a city having a bank institution, will be accepted for collection at a fee of one-fourth of 1 per cent, and not less than 50 pfennigs for each kind.

For interest coupons received by mail which are payable at the Reichsbank offices, and which are redeemable without charge in their own business districts, a fee of one-fifth of 1 per cent, and not less than 50 pfennigs, will be collected. No fee is charged if the interest coupons are those of imperial or Prussian loans.

4. COLLECTION OF BILLS OF EXCHANGE AND CHECKS ON FOREIGN COUNTRIES.

Bills and checks on the countries named above in III, B, a, which are not negotiable, will be accepted for collection. The fees and costs amount to 1½ per cent on

principal cities and 3 per cent on secondary cities and not less than 1 mark for each piece.

For unpaid papers (whatever the amount), a fee of 1.50 marks per piece, besides the cost of postage and protest, shall be charged. If no protest is made, 1 mark per piece, besides the cost of postage, shall be collected.

5. COLLECTION OF FOREIGN BANK NOTES.

Foreign bank notes will be collected in moderate amounts for known firms or persons, provided the latter are willing to defray the cost of postage and registration for the full face value of the notes. Bank notes are to be presented with a double list of the numbers, of which one stamped copy is to be given back to the deliverer in lieu of a receipt.

In accepting bank notes for collection, the Reichsbank gives no guaranty for their genuineness.

The fee for collection is 1½ per cent and not less than 1 mark.

6. PROCUREMENT OF ACCEPTANCE OF BILLS AND WITHDRAWAL OF DUPLICATE BILLS.

The giro customers of the Reichsbank are permitted to make use of the services of the latter for procurement of acceptances, and for withdrawal of the original bills on the presentation of duplicates, in places on which the bank purchases bills (cities with bank institutions). For orders of this kind prescribed blanks, which the bank offices furnish free of cost, are to be used. They are white for bills for direct acceptance and blue for duplicates.

The order is to be sent by the applicant, free of charge, directly to that bank office which is to procure the acceptance or withdrawal.

For each bill, irrespective of the amount, a fee of 50 pfennigs in cash, or in German post stamps, is to be added.

7. CONVERSION OF EAST PRUSSIAN MORTGAGE BONDS INTO SECURITIES PAYABLE TO BEARER.

East Prussian mortgage bonds will be accepted, after proper application has been made, by all bank offices, with the exception of the Reichsbank local main office in Königsberg (East Prussia), for the purpose of effecting their conversion into securities payable to bearer.

The fee for each mortgage bond is 15 pfennigs, and not less than 50 pfennigs for each parcel. In addition to this fee, the cost of postage both ways shall be collected from the mortgagee on returning him the bonds.

8. PURCHASE AND SALE OF SECURITIES.

Application for the purchase and sale of securities will be accepted by the stock exchange division of the Reichsbank securities department in Berlin, as well as by all foreign bank offices.

Orders for purchase will be carried out only after the necessary amount has been deposited in cash or satisfactorily guaranteed either to the Reichsbank securities department or to the respective bank office. Sales will be effected only after the paper to be sold has been delivered and found in order.

The transmission of the paper already purchased or for sale is registered according to its face value, unless the

applicant appraised it differently. The cost of postage is to be defrayed by the applicant. The Reichsbank collects for the purchase and sale of securities a fee of 1½ per cent of the face value of the latter, and not less than 50 pfennigs for each kind, besides the stamp fees. Brokerage is not included.

If securities deposited with the Reichsbank securities department for safekeeping are offered for sale, the certificate of deposit (*Depotschein*) is to be attached to the written application.

X.—*Mortgage transactions (Hypotheken Zahlungsverkehr).*[a]

1. The Reichsbank accepts mortgage documents of all kinds, such as mortgage bonds, transfer certificates, mortgage-redemption certificates, and, in general, all documents pertaining to mortgage transactions which are to be presented to a third party for payment. The Bank keeps them until the day of payment, gives the other party an opportunity of examining the documents, and delivers them on the day of payment on receiving the payment. These transactions may take place, however, only between two account holders, and when the payment can be effected by the transfer of accounts either from or to the giro deposit of an account holder.

2. The person who is to receive the payment must deliver the documents to the proper Reichsbank office

[a] Mortgage transactions were introduced on the 1st of February, 1908, for the Reichsbank, Reichsbank local main offices, Reichsbank local offices, and the Reichsbank suboffices managed by at least two officials. Reichsbank suboffices managed by only one official are still excluded from this business.

not later than on the seventh week day before the date on which payment is due. The documents are to be delivered in an unsealed, but tied, packet, on which the following details are to be registered:

(*a*) The stamp and number of the packet (to be filled out by the Reichsbank).

(*b*) The number of documents contained therein.

(*c*) The name and residence of the remittor.

(*d*) The names and residences of the payer and receiver of the documents or their authorized agents; in the latter case, a note to that effect should be made.

(*e*) The amount of payment.

(*f*) The date of payment and delivery of the document.

(*g*) The name and residence of the receiver of the payment.

A full list of the documents must be contained in the packet, in order that the correctness of the contents may be verified when necessary.

3. The remittor of the document will be given a receipt by the Reichsbank.

4. The Reichsbank office to which the documents are delivered is to transmit the same without delay to the Reichsbank office in the district where the remittee resides.

5. It is the business of the remittor to notify the remittee, and to request him to examine the documents and receive them on making the payment. It is recommended that a formal blank be used.

The Reichsbank gives no notice to the remittee.

6. The examination of the documents is to be made in the business office of the Reichsbank, in the presence of a Reichsbank official, and not later than on the third week day before the date on which the payment is due.

Mortgage banks and other credit institutions, as well as insurance companies, may, upon application, and, if necessary, upon furnishing security, receive the permanent privilege of examining the documents in their own offices. The Reichsbank Board of Directors is to grant this privilege (which can be revoked at any time) and is also authorized to determine the kind and amount of guaranty.

Public (state, provincial, and municipal) institutions and notaries may be allowed by the Reichsbank office to examine the documents in their own offices without furnishing security.

7. If this examination is not satisfactory, the remittee must immediately inform the remittor, who, if possible, is to adjust the matter properly.

8. If the person who is to make the payment has a giro account, he has to furnish, until the day of payment, a deposit sufficient to cover the payment, and to order on a prescribed blank the transfer of his account; or else he has to prove that the transfer has already been made. The Reichsbank then delivers to him in a tied packet the documents previously examined by him, for which he gives a receipt.

If he has no giro account, the documents are to be delivered to him on payment in cash of the amount stated on the packet by the remittor.

If the person who is to receive the payment has a giro account, the payment received shall be credited to this account. If he has no such account, the amount shall be transmitted, free of charge, to the bank office of his district, where he can receive it in cash, or make other arrangements concerning it.

9. Documents which are not redeemed when due are to be returned by the Reichsbank on the following day and handed back to the remittor on presentation of the receipt.

10. The Reichsbank is to charge a fee of 10 pfennigs for each 1,000 marks, or fraction thereof, of the amount to be collected on delivery of the documents, but the charge is to be not less than 2 and not more than 20 marks. The fee, if it is not guaranteed in some other way, is to be collected from the remittor when he makes his application.

11. The blanks (the packet, the list required in 2, the formal blank of notice required in 5, and the receipts named in 8 and 9) shall be furnished free of charge by the Reichsbank.

XI.—*Acceptance of noninterest-bearing deposits.*

The Reichsbank pays no interest on deposits. The latter are accepted only upon the following conditions:

1. The rights afforded by the deposit book (*Quittungsbuch*) are not transferable.

2. The first deposit must amount to 150 marks minimum. All, including the later deposits, must be divisible by 10. All transfers of accounts and remittances will

be entered in the book only by the Reichsbank. These entries (*Vermerke*) have full power of evidence for the depositor against the bank if they are provided with the stamp of the bank office and the signature of the officials representing the latter. If the deposit book can not be presented, the books of the bank are evidence in its place.

3. The deposit is to be repaid on demand at any time. The bank may allow to leave with it only a portion of the deposit if it is not less than 50 marks and is divisible by 10.

4. The Reichsbank is authorized to give written notice of the withdrawal of the deposit, which notice has to be sent to the address of the depositor.

5. Repayments may be made to any person who presents the deposit book; the bank is authorized, but not required, to investigate the bearer's right to the book.

6. Written notice of the loss or the mislaying of the deposit book is to be sent to the bank at once. Repayment can then be made only on proof that the book has been legally invalidated.

XII.—*Sealed deposits.*

The safe-keeping of sealed deposits is undertaken by the Reichsbank, Reichsbank local main offices, and Reichsbank local offices, as well as by the Reichsbank suboffices, as far as available room permits, in the following cities:

Altenburg.
Aschaffenburg.
Auerbach.
Beuthen.
Bonn.
Celle.
Colmar.
Crimmitschau.
Duisburg-Meiderich.
Duisburg-Ruhrort
Forst.
Fürth.
Göppingen.
Gotha.
Greiz.
Guben.
Hagen.
Hameln.
Hanau.
Heidelberg.
Heilbronn.
Hirschberg.
Hof.
Holzminden.
Jauer.
Kaiserslautern.
Kattowitz.
Kempten
Konstanz.
Lahr.
Landeshut.
Lippstadt.
München-Gladbach.
Neumünster.
Neunkirchen.
Neustadt.
Neuwied.
Paderborn.
Pforzheim.
Pössneck.
Ravensburg.
Regensburg.
Reichenbach (Silesia)
Rendsburg.
Reutlingen.
Rheydt.
Saarbrücken.
Soest.
Sorau.
Trier.
Velbert.
Viersen.
Waldenburg (Silesia).
Weissenfels.
Werdau.
Wesel.
Worms.
Zitta

The sealed packages must be delivered by the possessor himself to the bank of his business district. He is to fill out and affix his own signature to a certificate of delivery.

CONDITIONS.

1. Sealed packages are accepted and delivered only during the morning business hours.[a]

2. The full name of the firm or of the depositor must be clearly written on the packages, which are to be closed and sealed in such wise that they may not be opened without breaking the seal.

With each deposit a certificate of delivery is to be filled out and signed by the depositor.[b]

3. The Reichsbank does not examine the contents of the package, and is responsible for each deposit to the maximum amount of 5,000 marks, except when the deposit is appraised at a higher value and when a correspondingly higher insurance fee is collected besides the fee for safe-keeping. The Reichsbank is not responsible for damages resulting through the elements and other natural causes (*höhere Gewalt*). It has only to exercise the same care which it is accustomed to bestow on its own goods. It is in no case, not excepting time of war, required to send packages to another place.

4. For each deposit the owner receives a certificate of deposit, consecutively numbered.

5. The annual fee for safe-keeping is as follows:

For packages up to 30 centimeters wide and high, 40 centimeters long, 10 kilograms in weight, 10 marks; for packages above the foregoing up to 60 centimeters wide

[a] The office of the Reichsbank in Berlin (S. W. 19, Jägerstrasse 34–36) is open for this purpose on all week days in the morning from 9 to 12.30 o'clock. During the same hours rooms provided with locks and keys are at the disposal of the depositors who want to open their packages undisturbed, for the use of which they must pay 50 pfennigs each time.

[b] Formal blanks are furnished without charge.

and high, 70 centimeters long, 25 kilograms in weight, 20 marks; for still larger ones, up to 100 centimeters wide and high, 100 centimeters long, or more than 25 kilograms in weight, 30 marks.

Packages of more than 100 centimeters in length, width, and height will not be accepted.

The annual insurance fee is 25 pfennigs for each 1,000 marks, or a fraction thereof, of the excess above 5,000 marks.

In both cases the year begins with the first day of deposit.

5*a*. Until further notice deposits for only a quarter of a year shall be accepted. The fee for safe-keeping is 3, 6, and 9 marks, respectively, according to the conditions of size and weight (compare 5). The fee for the extension of time is estimated according to the above rates.

The insurance fee is always reckoned for a whole year, and is to be paid together with the fee for safe-keeping at the time of making the deposit. In case of the extension of the time of safe-keeping, a new insurance fee will be collected only at the beginning of a new deposit year.

6. Fees for insurance and safe-keeping are to be collected at the time of deposit, and then in advance once every year. For additional insurance in the course of the deposit year the full insurance fee is to be paid. If the fee for safe-keeping is not punctually paid, the Reichsbank may, without legal proceedings, turn over the packages to the public depositories at the risk and expense of the owner. As long as the insurance fee is in arrears, the Reichsbank is not responsible for the declared excess value. The

obligation of the depositor to pay the insurance fee is thereby not removed.

The safe-keeping and insurance fees can not be paid in instalments.

7. The deposit may be returned [a] only upon the surrender of the receipted certificate of deposit or on proof of the legal invalidation of the same, irrespective of the fact whether the deposit is taken out permanently or only temporarily. If the depositor returns the same deposit again within one week, an additional fee of only 1 mark is to be collected.

No additional fee is charged if the deposit is returned within the last week before the expiration of the deposit year, and if the fee for safe-keeping for another year is collected.

8. If a person other than the depositor, or together with the latter, or if among several depositors any one of them is authorized to receive the deposit, or if the depositor wishes to have his deposit returned to his agent on the surrender by the latter of the receipted certificate of deposit, the deposit office must be given a written statement to that effect at the time the deposit is made. [b]

If such documents are subject to stamp duty, the depositor must compound for the complete payment in due time.

The Reichsbank has the right, but is not required, to return the deposit to any person presenting the certifi-

[a] The return of the sealed deposit is ordinarily to be requested orally or in writing at least one day beforehand. Post cards, which the bank furnishes free of charge for this purpose, may be used.

[b] Formal blanks can be obtained at the office without charge.

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cate of deposit, without further examination of his right to it or of the validity and genuineness of the receipt.

9. The deposit can not be transmitted directly to the depositor or to other persons.

The Reichsbank, however, undertakes, on the written application of the depositor or of his authorized agent, and upon receiving compensation for the costs, to transmit the deposit to any branch office of the Reichsbank which is authorized to care for sealed deposits. Such applications are to be made out in duplicate form, signed, and handed in to the Reichsbank office with the receipted certificate of deposit.[a]

10. Fees for insurance and safe-keeping already collected for the current deposit year hold good for the new place of deposit.

11. Conditions made by depositors with respect to the handling of deposits other than the foregoing ones, even though they may be contained in the certificates of deposits or named on the packages of the deposits, form no obligation for the Reichbank.

[a] Formal blanks are furnished by the bank without charge.

XIII.—*Open deposits of securities.*

A. GENERAL PROVISIONS.

Acceptance.—The securities department of the Reichsbank in Berlin, S. W. 19, accepts securities and documents of every kind for safe-keeping. They may be sent through an agent or by mail. The office of the department is open on week days in the morning from 9 to 12.30.

The officials are obliged to maintain the strictest silence concerning all business transactions of depositors.

Depositors.—If authorities, corporations, charitable and other institutions, companies, or commercial firms wish to avail themselves of this function of the Reichsbank, special arrangements are to be made. Securities owned by more than one, but at most three persons, in common, may be deposited, if their owners affix the following statement to their application: "The deposited securities, as well as the money received for them, may be at the disposal of, and receipted by, each one of us or by the legal successor of each one of us."

Certificates of deposit.—For each kind of securities a separate certificate of deposit is to be given; for each kind, therefore, a special application for deposit is to be made. The certificate of deposit is drawn by the securities department and is signed by three members of the directorate. The numbers of the securities are not indicated on the certificate of deposit. Only in case of lottery securities may the depositor attach the list of numbers

to the application. This list is returned to him, after being stamped, together with the certificate of deposit, in case of the acceptance of the deposit.

Password.—The depositors are allowed to hand in any sealed password, which they may determine, without which the deposit should not be returned (compare below, condition 10). Since the password can be considered only in case the office of the securities department makes a note of it on the certificate of deposit, it is recommended that the password be given at the time when the securities are deposited.

Payment of interest.—The interest on the deposited securities is to be collected only in the morning from 9 to 12.30.

B. CONDITIONS FOR SAFE-KEEPING OF OPEN DEPOSITS, NOT INCLUDING THOSE OF WARDS AND MINORS (*Mündeldépôts*).

1. The Reichsbank assumes a legal guaranty for the safe-keeping of the securities deposited with it, together with the following obligations:

(*a*) To collect, when due, the interest and dividend coupons attached to the securities, if they are redeemable in Berlin or at a branch institution of the Reichsbank, or else to have them sold on the Berlin Exchange (*Börse*).

(*b*) To examine the lists of prizes announced in the General Lottery Tables by Ulrich Levysohn of Berlin, which are compiled by arrangements with the Reichsbank, the Prussian State Bank (*Königliche Seehandlung*), and the Central Association (*Centralverband*) of Banks and Bankers; to keep watch of notices of recall and con-

versions which are announced during the period of safe-keeping; to present at the proper time the recalled papers for redemption, or to secure their conversion; and to sell the papers on the exchange, if they are not redeemable at a fixed rate in Berlin or at a branch office of the Reichsbank.

Notice to the depositor concerning recall and conversion is given through ordinary letters, or, if it is a whole series of securities, through the "Deutscher Reichs- und Königlich Preussischer Staatsanzeiger," and public newspapers designated for announcement by the Reichsbank. In each case the Reichsbank is authorized, even when no special request is made by the depositor, to serve best the interests of the latter, and especially to secure conversions for his account.

(*c*) To place the amounts received at the securities department in Berlin in accordance with (*a*) and (*b*) at the disposal of the depositor not later than on the third week day after maturity; and the amounts received at the Reichsbank offices within one week after maturity.

(*d*) To collect the new interest and dividend coupons, when due, if the proper certificate of renewal (*talon*) is deposited with the Bank, or if collection can be made merely by presentation of the security itself.

(*e*) To exchange paid-up interim certificates (*Interimsscheine*) for final ones (*endgültige Stücke*).

(*f*) To assume the same obligations with regard to the new securities, and to make for the depositor the further payments on securities not paid in full, if the latter sends a written request to that effect not later than one week before the expiration of the period of payment, and if

he advances the necessary sum, together with the fees (compare below, sec. 2).

Interest coupons and securities which are payable in Europe are sold on the exchange one week, and those payable elsewhere two weeks, before maturity.

2. For the care and the risk connected with these services, a fee of one-half of 1 per cent, and, in case of securities drawn in foreign countries, a fee of three-fourths of 1 per cent—i. e., 50 or 75 pfennigs for every 100 marks of the face value of the securities—is to be collected by the Bank. The minimum fee, however, is 2 marks; and in case of lottery securities (*Löspapiere*) or premium securities payable to bearer, as well as securities issued in foreign countries, the minimum fee is 3 marks for each deposit. If the exact value of the document can not be ascertained, the fee is 15 marks per year. The year is to be reckoned from the first of the month in which the deposit is made to the first of the corresponding month in the next year. Securities in the foreign standard are reduced to the imperial standard (at the rates given in the footnote) for the purpose of fixing the fees.[a] For

[a] Rates used on the Berlin Exchange (Börse):

	Marks.
1 franc, lire, peseta, leu	0.80
1 Austrian gulden (gold)	2.00
1 Austrian gulden (standard)	1.70
1 Austro-Hungarian crown	.85
1 pound sterling	20.40
1 Holland gulden (standard)	1.70
1 Scandinavian crown	1.125
1 old gold ruble	3.20
1 credit ruble	2.16
1 peso (gold)	4.00
1 peso (paper)	1.75
1 dollar, Japanese yen	4.20
1 gulden, South German standard	12.00
1 mark banko	1.50

the collection and disbursement of cash in case of lost, recalled, or converted securities (1, *b*) and for the making of payments (1, *f*), the Reichsbank charges a brokerage fee of one-eighth of 1 per cent (and 50 pfennigs minimum) of the payments to be made or collected, besides the expense of transmission. For the collection of new interest or dividend coupons, as well as for the exchange of interim certificates (*Interimsscheine*) (1, *d* and *e*), only the expenses incurred in cash shall be counted.

3. Fees are to be collected for a full year, regardless of the time the securities are to remain in safe-keeping. They are to be deducted from the deposit account (*Guthaben*), and, in the absence of such, they are to be sent by the depositor by mail. If payment is not obtained in this way, the withdrawal of the deposit will be demanded (see below, 15). The Reichsbank may without legal proceedings compensate itself for back-standing fees out of the deposit, and, if necessary, by means of sale according to section 20 of the Bank Act.

4. Fees will in no case be returned. But in case of redemption, sale, or withdrawal of a part of the securities, as well as in case of convertible securities, new certificates of deposit will be issued free of charge for the remainder of the year already paid for.

5. The Reichsbank is not responsible for disadvantages resulting from wrong classification of securities or from a wrong designation of the numbers in the application for deposit. The examination of the lottery lists, etc. (1, *b*), takes place solely upon special request in the application for deposit.

6. Notice of errors must be given to the bank as soon as they are detected.

7. The certificate of deposit is made out in the name of the holder and is not transferable. If it is transferred or pledged, or if a legal attachment is made on the deposit itself, the bank is authorized either to place the securities with the public depository at the risk and cost of the depositor, or to give up its custody of the deposit, and especially to secure no collection and make no disbursement of interest, etc.

8. The interest on mortgages can be paid upon stating the number of the certificate of deposit either at the treasury, at the securities department, or at the Reichsbank office to be transferred to that department for the account of the depositor. No fee is charged in either case, and it is the business of the depositor to direct the debtor to pay at the Reichsbank.

9. The depositor must state in his application for the deposit whether the collection of interest from a branch office of the Reichsbank shall be effected by transfer to a giro account or by cash payment at the treasury of the securities department.[a] Changes in this respect, as well as in respect to the originally selected bank office, or the indicated giro account, are to be made known in writing, not later than four weeks before the maturity of the interest coupons; otherwise, the payment is made in the originally indicated manner. Disbursement of interest col-

[a] Cash payments take place:

1. At the branch institutions on every week day from 9 a. m. to 12 m.

2. At the treasury of the securities department on every week day from 9 a. m. to 12.30 p. m.

lected for the depositor can not be made in several places. Disbursement can be made through an agent or by mail. In the latter case the depositor has to add to his application the receipt for the amount which he demands. The money is transmitted to the address indicated by the depositor. If it amounts to more than 300 marks, it may be withdrawn in sums of not less than 150 marks. The collection of interest coupons *in natura* is permissible only when securities are drawn in foreign countries, and provided it was expressly requested at the time of depositing the securities.

10. Each individual deposit can be withdrawn only as a whole. It is to be returned upon the surrender of the certificates of deposit, receipted as follows:

"I have received the deposit herein mentioned.

"(Place.)

"(Date.)

"(Signature.)"

If the certificate is lost, the deposit is to be returned only after legal invalidation of the former. If the return is to be made not to the depositor, but to another designated person or firm, written information is to be given to the securities department. The bank is authorized to investigate the right of the bearer to the certificate of deposit, as well as the genuineness and validity of the receipt, and will make use of this authority in every case when the bearer of the certificate is unable to give the password. The bank assumes, however, no obligation to make such an investigation, and reserves for itself the right of returning the deposit to the bearer of the certificate of deposit.

11. Deposited securities, as well as certificates of renewal (*talons*), interest, and dividend coupons (1, *d* and *e*), certificates of deposit, documents, checks, bills of exchange, and drafts, are transmitted by mail at the risk and cost of the depositor. Certificates of deposit, certificates of renewal, bills, checks, drafts, mortgage documents, etc., are sent registered; the other securities must be insured according to their face value, if the depositor has not expressly given another valuation. Cash is to be registered for its full amount.

12. (*a*) In the application for deposits the depositor may declare that he acts with parental authority (father or mother) or as guardian of persons who are incapable of performing business because of character, age, or other reasons which must be stated explicitly.

Parents are to present certificates of the birth of their children. Trustees and guardians are to present the certificates of their appointment, and, if the deposit is not to be conditioned by the provision named below (*b*), they are to present proof that they are exempt from the stipulation of section 1814 of the "Bürgerliches Gesetzbuch." In the latter case the bank is to pay to the depositor the accrued interest and dividends without investigating his authority. If the parent or guardian desires to receive either the securities themselves or the prizes proceeding from the latter (1, *b*), he must issue new proof of his identity as the possessor of parental authority, or he must present his certificate of guardianship, and, in case he is not known at the securities department, he must be introduced by a responsible person who is known to the latter. Should he fail to

comply with this stipulation, the securities or the prize shall be transmitted to him by mail (see above, 11).

(*b*) The deposit can be made with the stipulation to be mentioned in the certificate of deposit that the securities (including certificates of renewal) should be returned by the bank only upon the consent of the court of guardianship (sec. 1814 of the "Bürgerliches Gesetzbuch"). As long as the termination of parental authority, guardianship, or trusteeship is not proved, the return of the deposit can take place only upon the consent of the court expressed in the certificate of deposit and only to the person explicitly named by the court.

(*c*) The Reichsbank is not required to verify the genuineness and validity of the certificate of appointment, the receipt, or the consent of the court of guardianship. The expiration of the guardianship, trusteeship or parental authority with respect to one or several coowners of a deposit does not alter the foregoing requirements.

13. If a third person is to be authorized to collect interest and dividends and to receipt for the same, a written statement signed by that person is to be handed in to the securities department. Similarly, the presentation of a formal certificate of authority is necessary, if a third person (whether he be superintendent or general agent) is to be authorized to make statements for the depositor and to have charge of, and make receipt for, the deposit, interest, etc.

14. A formal declaration must be handed in to the securities department, and the application for the deposit is to be provided (at the close, over the signature) with

the note: "Closed deposit according to article 14, A, B, or C," if either of the three following stipulations is made:

(A) That a third person shall, in virtue of an agreement or by testamentary right, receive during his life the interest or the dividends of the deposited securities.

(B) That the securities are deposited to insure an extra allowance to a military officer on his marriage.

(C) That the securities, including the certificates of renewal, should be returned only upon the consent of a third person.

A note to that effect must also be made on the certificate of deposit. In the first case (A) the interest and dividends may be paid and the deposit returned to the depositor or his heir only upon presentation of an official certificate of the death of the third person; in the second case (B) this can be done only upon presentation of a written consent of the military authority. In the case of C, the securities, including the certificates of renewal (*talons*), shall be returned to the depositor or his heir only upon the consent of that third person or his heir. With regard to the proof of the genuineness and validity of the certificates of consent in cases A and C, the provisions concerning the proof of genuineness and validity of certificates of deposits (see above, 10) are applicable.

15. The Reichsbank may demand at any time the withdrawal of the deposit without stating its reasons. If the withdrawal is not made within fourteen days after the written notice, the Reichsbank is authorized either to turn over the securities to the public depository at the risk and cost of the depositor or to give up its custody of

them and especially to secure no collection and make no disbursement of interest, etc.

16. The Reichsbank reserves the right of changing the conditions of deposit. Such changes, however, if they are to be instituted during the next calendar year, are to be announced before the 15th of November in the newspapers designated by the Reichsbank board of directors for public announcements and by means of placards in the office of the securities department.

N. B.—If, according to the provisions concerning loans on pledges, the deposited securities may be hypothecated, and if they are not deposited on the conditions named above in 14, the depositor can obtain a loan from the Reichsbank, as well as from the branches of the Reichsbank, by hypothecating the securities and placing the certificate of deposit with the bank. He must, however, submit a certificate of the securities department, which may be obtained at any time, testifying the circulating capacity of the securities.

C. CONDITIONS FOR SAFE-KEEPING OF DEPOSITS OF WARDS AND MINORS (*Mündeldépôts*).

1. Securities belonging to wards and minors and subject to the supervision of the court of guardianship shall be accepted by all Reichsbank main offices and Reichsbank offices for safe-keeping if they have certificates of renewal (*talons*), provided they have no mature interest or dividend coupons.

Similarly, the Reichsbank and the Reichsbank offices may accept deposits of wards and minors which are made by one of the parents in accordance with sections 1666 and 1667 of the "Bürgerliches Gesetzbuch" and with section 1814, *ibid.*

2. The deposit may be delivered by the guardian or one of the parents, as well as through an agent, either personally or by mail, together with the application

signed by the depositor. In each case the court certificate of appointment or, in case of legal representation, the certificate of authority is to be submitted. Application blanks for deposit can be obtained at the Reichsbank offices.

3. The Reichsbank assumes the legal risk of the safekeeping of securities, but executes no other function. It is the business of the trustee, the guardian, or the legal representative to renew the *talons* at the proper time; to examine the lottery lists and to follow the announcements concerning conversion or recall of securities; to present redeemable papers, when due, for redemption; to exchange paid-up interim certificates for final certificates; to make payments on securities not fully paid-up, etc.

4. For all securities simultaneously deposited a special deposit book, in which the securities will be entered according to their kinds and amount, but not according to their numbers, will be issued. Only in case of lottery securities may the depositor present a list of the numbers together with the application for the deposit. In case of the acceptance of the latter deposits, the list is to be stamped and handed back to the depositor, together with the deposit book.

5. The deposit book is to be issued by the Reichsbank main office or the Reichsbank office, and must bear, besides the official seal, the signatures of two officials. The deposit book is to be submitted to the respective bank each time a new deposit is made or a withdrawal of securities takes place, in order that the changes may be entered in it. The depositor is to notify the bank of the

errors which may occur in the deposit book immediately after their being detected.

6. As long as the expiration of trusteeship, guardianship, or representation is not proved, the return of all or some of the securities, as well as of the certificates of renewal (*talons*, etc.), can take place only upon the consent of the court and only to the person explicitly named by the latter. The receiver is to affix his signature to the certificate of the court authorizing the receipt of the stated securities, or the certificate of renewal, and in case he is not known personally to the officials of the bank, he must prove his identity by presenting the proper documents (certificate of appointment, etc.). If he is not in a position to comply with the latter requirement, or if the bank doubts the genuineness of the signature, the bank has a right, but is not obliged, to demand proof of identity or to send the securities by mail. Nor is the bank obliged to investigate the genuineness and validity of the receipt or of the legal consent, and it reserves the right of returning the securities to the person who presents, besides the certificate of consent of the court, the deposit book, or, in case this is lost, the certificate of invalidation. The book is therefore to be kept with the utmost care.

7. The court certificate authorizing the withdrawal of the *talons* by the guardian or trustee for the purpose of obtaining new interest coupons will be returned to the depositor, together with a receipt for the securities, which is to serve as evidence before the court of guardianship, only after the new *talons* have been handed in to the bank. The Reichsbank exercises no control over the return of the *talons*.

8. Deposited securities, as well as deposit books, are transmitted at the risk and cost of the depositor, and, as long as the latter has not appraised them differently, the securities are insured at their face value, while the deposit book is sent registered.

9. Fees are to be collected as follows:

(1) A fee of 1 mark at the time of issuing each deposit book.

(2) An annual fee for safe-keeping of one-fifth of 1 per cent for each 1,000 marks, or a fraction thereof, of the face value of the securities simultaneously delivered, or at the beginning of each new deposit year.

Securities in a foreign standard will be computed in the Imperial standard, for the purpose of fixing the fees, according to the rates given in XIII, B, 2, foot note.

10. The deposit year is to be reckoned from the first of the month in which the first deposit has been entered in the deposit book to the first of the corresponding month of the next year. All subsequent deposits entered in the same book are to be computed from the same date as the first one. The guardian, however, may demand a special deposit book for securities subsequently deposited, in order to have the latter computed from the new date.

11. Fees are to be paid in advance for a full year, irrespective of the duration of time the deposit will remain in the bank, and are to be receipted in the deposit book. The latter is, therefore, to be presented at the bank office at each payment of fees. Fees will in no case be refunded.

12. The deposit book is not transferable. If, however, it is transferred or pledged, or if the securities them-

selves are legally attached, the bank is authorized to turn over the latter to the public depository at the risk and cost of the ward or minor. The bank reserves the same right in case the withdrawal of the deposit does not take place at the expiration of four weeks after written notice—without stating reasons for the withdrawal—has been given.

13. The Reichsbank reserves the right of changing these conditions. Such changes, however, if they are to be instituted during the next calendar year, are to be announced before the 15th of November, in the newspapers designated by the Reichsbank board of directors for public announcements and by means of placards in the business rooms of its bank offices.

XIV.—*Collection of bills by means of checks.*

Acceptance of checks.—Checks on the Reichsbank are to be accepted by the bank officials of the Reichsbank in their collection of bills in Berlin. The checks must be crossed according to the regulations of VI, article 5, paragraph 2, and besides the words "for transfer only" must contain the following note: "On the account of bills for ..... (amount) ..... due ..... (date of maturity." Crossed checks with a single note, "for settlement of bills only," need not, however, be rejected; the risk that the check may be used to cover another bill to be paid by the issuer is assumed by the latter.

Receipt.—The treasury officials receiving a check on the account of a bill collected by them are not to give out the bill to the issuer of the check; nor is the bill to be given out if only a part of the sum collected is paid by check and the other part in cash. The treasury officials issue only a receipt for the check.

Withdrawal of securities.—Redeemed securities are returned every day after 4.30 p. m. at the giro office of the Reichsbank upon the surrender by the owner of the bank receipt. The Reichsbank does not require proof of the right of the bearer to the certificate. The withdrawal can take place only within the first five days after redemption.

PART II

Stock Exchange Regulations

83702—10——15

I.

STOCK EXCHANGE LAW AS AMENDED MAY 8, 1908.

I.—General Provisions Concerning Exchanges.

Section 1.—Exchanges may be established only with the permission of the state governments.[a] The latter may also order the suspension of operating exchanges.

The state governments exercise supervision over the exchanges, which supervision may be intrusted to commercial organizations (the chambers of commerce and commercial corporations).

Notifying offices, clearing banks, clearing associations, and similar institutions connected with the exchanges are also subject to the supervision of the state governments or the commercial organizations exercising the direct supervision.

Sec. 2.—The state governments are to be represented on the exchanges by state commissioners, who shall control, in accordance with the detailed instructions given to them by the state governments, the transactions on the exchanges, and enforce the laws and provisions concerning the latter. The commissioners are authorized to be present at the business conferences of the members of the exchanges, and to call the attention of the said members to any abuse which may take place. They are also required to report all abuses on the exchange and to suggest preventive measures.

[a] The governments of the Federated States of the German Empire.

The activities of the state commissioners in particular exchanges may, with the approval of the Bundesrat, be restricted to cooperation in the proceedings of the courts of honor, or, in case of small exchanges, the appointment of state commissioners may be entirely dispensed with.

SEC. 3.—An expert exchange committee (*Börsenausschuss*) is to be formed with the purpose of reporting upon matters which are, according to this law, within the jurisdiction of the Bundesrat. The exchange committee is authorized to tender its motions to the Imperial Chancellor and to consult with experts.

The exchange committee is to consist of not less than 30 members, who are to be elected by the Bundesrat for a period of five years. Members of the committee are eligible for reelection. One-half of the members are to be elected upon nomination by the members of the exchange. The Bundesrat is to determine the number of candidates which the individual exchange departments may nominate. The election of the other half is to take place with special consideration of the conditions of agriculture and industry.

The regulations for the committee shall be enacted, after a conference with the latter, by the Bundesrat. The daily remuneration and traveling expenses to be allowed to the members of the committee are to be fixed by the Bundesrat.

SEC. 4.—Regulations must be issued for each exchange separately.

The regulations must be approved by the state government. The latter may demand the incorporation of cer-

tain provisions in the regulations of the exchange, and particularly the incorporation of the provision which stipulates that the interests of agriculture and allied trades be adequately represented in the boards of directors of the produce exchanges.

SEC. 5.—The exchange regulations shall contain provisions concerning (1) the administration and the departments of the exchange; (2) the transactions authorized on the exchange; (3) the admission to the exchange; and (4) the quotations of prices and rates.

SEC. 6.—The regulations may allow the use of the exchange for branches of business outside of those designated in section 5, figure 2, unless particular sections of this law (secs. 42, 43, and 51) provide to the contrary. In the latter case the persons concerned may lay no claim to the exchange for any purpose other than that for which it was established. The Bundesrat is authorized to prohibit either completely or partially the use of the exchange for particular branches of business.

SEC. 7.—The following are to be debarred from the exchange:

1. Persons of the female sex.
2. Persons deprived of their civil rights.
3. Persons who, in virtue of a judicial order, are restricted in the right of the disposal of their property.
4. Persons against whom a final conviction of fraudulent bankruptcy has been pronounced.
5. Persons against whom a final conviction of ordinary bankruptcy has been pronounced.
6. Insolvent persons.

7. Persons who have been excluded from the exchange by a final or immediately enforceable decision of the court of honor.

Admission or readmission to the exchange can take place in the cases designated under 2 and 3 only after the debarring causes have been removed; in the case designated under figure 5 only upon the expiration of six months after the enforcement of the legal decision or upon its becoming void, either because of the lapse of the period of limitation or because of remission. In the latter case, as well as in the case named under figure 6, the admission may be granted only when the exchange board of directors is satisfied that all obligations to the creditors have been either fulfilled by payment or straightened out by remission or respite. A person who has been declared insolvent or bankrupt for a second time is to be debarred from admission or readmission for a minimum period of one year. In the case named under figure 4 the exclusion can not be recalled.

The exchange regulations may prescribe exclusion from the exchange for other reasons.

The state governments may, in special cases and upon the recommendation of the exchange departments, allow exceptions from the provisions concerning the exclusion or debarment from the exchanges.

SEC. 8.—The supervising authorities are authorized to issue regulations concerning the maintenance of order and the transactions on the exchange.

The board of directors is to be responsible for the maintenance of order, and is authorized to remove dis-

orderly persons and to punish them either with temporary exclusion from the exchange or by imposing a pecuniary fine.

The maximum penalty or fine is to be fixed by the exchange regulations. Exclusion from the exchange may be made public upon the consent of the supervising authorities by means of placards.

Appeal from the infliction of a penalty may be made to the supervising authority within the period fixed by the exchange regulations.

Persons whose objects are incompatible with the order or the business of the exchange shall be debarred from the latter.

SEC. 9.—Each exchange is to have a court of honor. When the direct authority of supervision is transferred to a particular commercial organization (sec. 1, par. 2), the court of honor is to consist of the whole organization or of a committee of the latter. The court is to be elected by the departments of the exchange when there is no direct supervising authority. Further provisions concerning the organization of the courts of honor shall be issued by the state governments.

SEC. 10.—The court of honor is to summon those persons who, in connection with the exchange, enter into transactions which are open to suspicion or which forfeit the claim to business confidence.

SEC. 11.—The state commissioner (sec. 2) is to be informed of the institution or suspension of proceedings by the court of honor. He is authorized to request the court of honor to institute proceedings, which request,

as well as all demands of evidence, must be complied with. The commissioner is also authorized to be present at all proceedings and to offer such suggestions and questions to the defendant, the witnesses, or the experts as he may deem pertinent.

SEC. 12.—The court of honor may authorize one of its members to make a preliminary inquiry before the official hearing of a case. The defendant shall be informed of the charges against him and called to the preliminary investigation, and, if he is present at the latter proceedings, his statements and recommendations must be recorded.

Witnesses and experts may be heard without their taking an oath.

SEC. 13.—The court may, with the consent of the state commissioner, discontinue the proceedings. Otherwise, the trial is to take place on the fixed date.

SEC. 14.—The trial before the court of honor is to take place even if the defendant does not appear. It is to be conducted behind closed doors. The court of honor, however, may order certain proceedings to be conducted publicly if it is requested by the state commissioner or the defendant, unless the conditions named in section 173 of the law of the court organization (*Gerichtsverfassungsgesetz*) render publicity illegal.

The defendant is authorized to avail himself of the services of a counselor.

The court of honor has a right to call witnesses and experts and examine them under oath.

SEC. 15.—The penalty shall consist of reprimand as well as of temporary or permanent exclusion from the exchange. If no dishonorable action beyond a disturbance of order can be proved, the penalty shall be inflicted by the court of honor according to section 8, paragraph 2.

SEC. 16.—The decision, together with the motives for it, is to be announced at the session at which the oral proceedings are concluded, or official copies containing the motives for the decision are to be submitted within two weeks to both the state commissioner and the defendant.

The decision of the court is also to be sent to the defendant in case of his absence from the proceedings. The state commissioner, as well as the defendant, may demand an official copy containing the reasons for the decision, even if the latter has been announced in their presence.

The court of honor may order that the decision be made public and may state in what way this is to be effected.

The court of honor may direct that the decision, which excludes the defendant from the exchange either temporarily or permanently, shall go into effect immediately.

The court has to arrange, upon the application of the vindicated person, for the public announcement of the vindication.

SEC. 17.—Both the state commissioner and the defendant have the right to appeal the decision of the court of honor to the periodically formed chamber of appeals.

The chamber of appeals is to consist of a chairman and six judges. The chairman is to be appointed by the Bundesrat. The judges are to be elected by the exchange

committee from among those of its members who have been nominated by the departments of the exchange. The number of judges to be elected from each exchange may not exceed two.

Deputies for the chairman and the judges shall be appointed and elected, respectively, in the same manner.

Not more than two members of the same exchange may participate in the proceedings of a case which has been brought to the court of appeals.

SEC. 18.—An appeal can be made either by means of an oral statement to be entered in the minutes of the court (*Protokoll*), or in writing to the court of honor from which the appeal is made. The maximum period for bringing an appeal is one week.

This period for appeal by the state commissioner or the defendant is to begin, in case the decision has been announced by the court, immediately after the announcement. Otherwise, it shall date from the time the copies of the decision have been submitted to the party making the appeal.

SEC. 19.—If an appeal is made from the decision, copies of the latter containing the motives are to be sent to the state commissioner and the defendant if such copies have not been sent before.

SEC. 20.—The appellant is allowed a period of one week to present a written statement of the motives for his appeal, if the latter has been made in due time. This period is to commence upon the expiration of the term for appeal, or, in case a copy of the decision has not yet been submitted, from the time when it will have been submitted.

SEC. 21.—The writ of appeal, together with the motives presented by the defendant, is to be submitted to the state commissioner; and vice versa, the writ of appeal, together with the motives presented by the state commissioner, is to be submitted to the defendant. A reply to the appeal can be made within one week after the writ of appeal has been submitted to either of the parties.

SEC. 22.—The periods for submitting the motives for or the reply to the appeal may be extended, upon application, by the court of honor.

SEC. 23.—Upon the expiration of the periods designated in sections 18, 20, 21, and 22, all the documents relating to the case are to be transferred to the chamber of appeals. The defendant shall be summoned and the state commissioner invited to be present at the hearing of the appeal.

The chamber of appeals may, for the purpose of clearing up the matter, demand that all previous evidence be submitted.

The provisions of sections 11, 14, 15, and 16 shall apply also to the proceedings in the court of appeals.

SEC. 24.—Minutes shall be taken by a sworn recording secretary at every session of the preliminary, as well as of the regular, hearings of the case.

SEC. 25.—Besides the penalty, the defendant may be called upon to defray all or part of the costs incurred on account of the proceedings.

SEC. 26.—The courts are obliged to comply with the requests of both the court of honor and the chamber of appeals to examine witnesses and experts.

SEC. 27.—The persons exercising supervision over the exchanges are obliged to bring to the notice of the state commissioner, or, in case no such commissioner has been appointed, of the court of honor, any action on the part of persons attending the exchange, which is subject to the jurisdiction of the court of honor.

SEC. 28.—An agreement, by which the concerned parties submit to the decision of an exchange court of arbitration, is to be binding only in case both parties are persons who may, according to section 53, deal in futures on the exchange, or in case the agreement to submit to the arbitration court has been reached after the conflict has taken place.

II.—REGULATIONS CONCERNING THE PRICES ON THE EXCHANGES AND THE BROKING SYSTEM.

SEC. 29.—Prices of merchandise or securities, if officially quoted, are to be fixed both for cash transactions and futures by the directors of the exchange, in so far as the exchange regulations do not prescribe the cooperation of representatives of other trades.

No person is allowed to be present during the fixing of prices except the state commissioner, the exchange directors, the exchange secretaries, the exchange brokers, and those representatives of other trades whose cooperation is prescribed by the exchange regulations.

The exchange quotations must correspond to the actual state of business on the exchange.

SEC. 30.—Special aids (brokers) shall be appointed to assist in the official quotation of prices of merchandise and securities. As long as these persons act as brokers,

their duty shall lie in bringing about the adjustment of exchange transactions in the specific merchandise or securities. The appointment as well as the removal of brokers shall be made by the state government. Before assuming their functions the brokers are to take an oath to the effect that they will faithfully fulfill the duties of their office.

The representative organization of the exchange brokers (the chamber of brokers) is to be consulted when new brokers are to be appointed and a new assignment of business among the individual brokers is to be made. Further provisions with regard to the appointment and removal of exchange brokers, as well as with regard to their representative organizations and the relation of the latter to the state commissioners and the departments of the exchanges, shall be issued by the state government.

SEC. 31.—Claims to special consideration in the official fixing of exchange prices of merchandise or securities can be made only in case the transactions are performed through the agency of a broker. This does not affect the right of the directors of the exchange to take into consideration other than the above-mentioned transactions.

SEC. 32.—Brokers participating in the official fixing of exchange prices of certain kinds of merchandise or securities may transact the latter kinds of business for their own account or in their own name, or may serve as guarantors for the transactions performed through their offices, only when those transactions are absolutely necessary for the brokers to properly execute the orders received by them. The way in which supervision shall be exercised

in enforcing this regulation is to be determined by the state government. The validity of the transactions is not impeached by this regulation.

Brokers are prohibited, unless special permission is granted by the state governments, from engaging in any other than the broking business or from participating in any business as shareholders or silent partners, as well as from rendering services to merchants in the capacity of clerks, authorized representatives, and the like.

SEC. 33.—The daybook to be kept by the exchange broker shall be submitted, before use, to the directors of the exchange in order that the number of sheets or pages may be certified.

In case of the death or retirement of a broker, the daybook of the latter shall be submitted to the exchange board of directors.

SEC. 34.—Brokers are permitted to negotiate sales and purchases which must be transacted through an authorized commercial broker.

SEC. 35.—The Bundesrat is authorized—

1. To allow individual exchanges to fix prices of merchandise or securities by methods diverging from the regulations of section 29, paragraphs 1 and 2, and sections 30 and 31.

2. To prescribe the official fixing of exchange prices of particular merchandise, either for all or for specific exchanges.

3. To issue regulations for the purpose of securing uniformity in the fixing of prices of merchandise and securities.

This provision does not deprive the state governments of their authority of issuing the regulations named under 2 and 3 if the Bundesrat has not exercised its authority. The Imperial Chancellor is to be informed of the issue of the state regulations.

III.—SECURITIES TO BE LISTED ON THE EXCHANGES.

SEC. 36.—The listing of securities on each exchange shall be granted by a committee (board of admission). At least one-half of the committee must consist of persons who do not professionally deal in securities on the exchange.

Members interested in the listing of particular securities on the exchange shall be debarred from the conferences of the committee, and their places shall be taken by deputies to be appointed according to the exchange regulations.

The functions and duties to be discharged by the board of admission are as follows:

(*a*) To require the submission of the documents, on the basis of which the securities are to be issued, and to examine them.

(*b*) To make public, as far as possible, all facts and legal regulations for adequate information with regard to the securities to be issued, and to prohibit the issue in case of inadequate information.

(*c*) To prohibit the issue of securities which may imperil important public interests, or which may eventually lead to fraud.

The board of admission may refuse the right of issue without stating its reasons. Further regulations con-

cerning the organization of the board of admission and the method of appeal from the decision of the board shall be enacted by the exchange. The board has a right to exclude listed securities from the exchange.

SEC. 37.—If the board of admission rejects an application for the listing of securities on the exchange, it is to inform the boards of directors of all other German stock exchanges, stating whether such rejection was due to local or other conditions. In the latter case the listing of the securities on another exchange can take place only upon obtaining the consent of the board which had refused their listing.

The applicant must state whether application for the listing of the securities was ever made before or was being made at the time to any other exchange. Should this be the case, the securities are to be listed only with the consent of the other board of admission.

SEC. 38.—The application for the listing of securities, containing the name of the applicant, the amount and a description of the securities, is to be published by the board of admission. A minimum period of six days must elapse between the publication of the application and the listing of the securities on the exchange.

Prior to the listing of the securities, a prospectus containing the necessary information about the securities is to be published. This provision applies also to conversions of securities as well as to increases of capital.

In case of applications for listing on the exchange of securities, which are already listed on another German exchange, the state government may, upon the request of

the board of admission, release the applicant from the required publication of a prospectus.

SEC. 39.—German imperial and state bonds shall be listed on every exchange. The board of directors of the exchange is to be notified of the kind of securities to be listed, but no prospectus is required.

SEC. 40.—In case of bonds whose interest and principal are guaranteed by the Empire or one of the Federated States, as well as in case of bonds of municipal corporations, of credit institutions of such corporations, or of mortgage institutions which are under state supervision, the state governments may release the applicant from the required publication of a prospectus. In this latter case the securities shall be regarded as already listed on the exchange.

The board of directors is to be notified of the amount and the kind of securities to be listed. In case of mortgage and similar bonds of a municipal credit institution or of a public mortgage institution under state supervision, the statement of the amount of securities is not required.

SEC. 41.—The listing of shares of an enterprise which has been converted either into a stock company or a limited liability company may take place only upon the expiration of one year after the registration of the company in the Commercial Register (*Handelsregister*) and upon the publication of the first annual report containing the profit and deficit accounts. This restriction may, under certain circumstances, be removed, either entirely or partially, by the state government.

The listing of foreign stocks or bonds not guaranteed by the state is to be conditioned by the obligation of the appli-

cant to publish annually, for a period of five years, in the German newspapers designated by the board of admission, the reports containing the profit and deficit accounts.

SEC. 42.—In case of securities which are open to public subscription, no official fixing of the price shall be declared before the closing of the subscription, and no negotiations shall be made on the exchange. Neither may the prices be quoted by the exchange brokers or be published in the list of quotations (*Kurszettel*) or in any other way.

SEC. 43.—The official fixing of prices can not take place with securities the listing of which has either been refused or not applied for. No transactions in such securities can be carried on either on the exchange or through the office of an exchange broker. The quotations for such securities may not be published or otherwise circulated on the exchange except when otherwise stipulated by the exchange regulations.

SEC. 44.—The minimum amount of the stock, as well as the minimum amount of the face value of each share necessary for the listing of the shares on the particular exchange, shall be determined by the Bundesrat.

The Bundesrat shall also define the duties to be discharged by the board of admission and make provisions concerning the requirements for the listing of securities on the exchanges.

The authority of the state governments to enact supplementary regulations is not impaired by the above provisions. The Imperial Chancellor shall be informed of the state regulations.

SEC. 45.—Should statements contained in the prospectus and purporting to give information about the particular securities, on the basis of which information the latter securities have been listed on the exchanges, prove incorrect, the persons who have issued, as well as those who have authorized the issue of, the prospectus, if they were aware of the inaccuracy or could have been aware of it save for gross negligence, shall be liable as joint debtors to each security-holder for the loss which the latter has suffered as a result of the wrong statements. Similarly, this provision shall apply in case certain facts have not been printed in the prospectus owing to malicious concealment or neglect arising from an inadequate examination of the facts on the part of those persons who have either issued or authorized the issue of the prospectus.

The above-named persons shall not be released from liability even when it is mentioned in the prospectus that the printed statements proceeded from a third party.

SEC. 46.—The above provision concerning the right of the shareholders to demand compensation for their losses applies only to those securities which were listed on the exchange on the ground of the information given in the prospectus and which were acquired by the owner in a transaction concluded within the country.

The persons who are liable for the losses of the shareholders may compensate the latter by redeeming their securities at the price which was paid by the owners or which was quoted at the time of the first listing of the securities on the exchange.

The holder of the securities may demand no compensation for his losses in case of his having been aware, at the time of his purchasing the securities, of the inaccuracy or inadequacy of the statements published in the prospectus. Nor may any demand for compensation, unless such demand has been instigated by malicious concealment, be granted, in case the security holder could have learned, at the time of his negotiations, about the wrong statements in the prospectus, had he exercised the same precaution as he ordinarily uses in his affairs.

SEC. 47.—The period of limitation for claims to compensation shall terminate after five years from the first listing of the securities.

SEC. 48.—Any agreement purporting to modify or annul the responsibility imposed by sections 45 to 47 is hereby made void.

The right to other claims for breach of contract, for which provision has been made in the civil code, is not impaired by the above regulations.

SEC. 49.—The litigations proceeding on the basis of sections 45 to 48, irrespective of the value of the claim, are subject to the exclusive jurisdiction of the provincial court in whose district the exchange which listed the securities is located. If the court includes a chamber for commercial suits, the claims shall be laid before that chamber. All appeals, including those from decisions of the provincial court of appeals, must be brought before the supreme court of the Empire.

IV.—Dealings in Futures on Exchanges.

Sec. 50.—Future dealings in merchandise or securities on the exchange shall be permitted by the board of directors in accordance with the exchange regulations. The board of directors is authorized to recall the right of future dealings in certain securities or merchandise.

The conditions of future dealings in merchandise or securities must be determined by the exchange authorities before extending the right of such transactions on the exchange.

Prior to the granting of the right of transactions in futures in merchandise, the board of directors of the exchange shall, in each individual case, consult representatives of that particular trade and inform the Imperial Chancellor of the result. The granting of the right of investments in futures can take place only upon the declaration of the Imperial Chancellor that he sees no reason for further inquiries.

The right of future dealings in securities may be granted only when the aggregate nominal value of the securities reaches the minimum amount of 20,000,000 marks.

Future dealings in shares of a domestic industrial enterprise may be transacted on the exchange only with the consent of the company. The right of future dealings in such shares may, at the request of the company, be recalled not later than after the expiration of one year from the date on which such request has been sent to the board of directors of the exchange.

Further provisions concerning the granting of the right of dealings in futures may be issued by the Bundesrat.

SEC. 51.—Merchandise or securities, in which the right of future dealings has been refused or revoked, shall not be negotiated as futures on the exchange or through the office of an exchange broker. If future negotiations deviate from the regulation laid down in section 50, paragraph 2, or if such negotiations are transacted in merchandise or securities which are not included in the list of futures, the board of directors shall order that such transactions be prohibited on the exchange and that no broker shall be allowed to participate in them. The board of directors may, however, suspend the issue of its order if negotiations are conducted with regard to the inclusion of the particular merchandise or securities in the list of exchange futures. The maximum period of the suspension of the order shall not exceed one year.

Quotations (*Kurszettel*) for future dealings concluded within the country may not be published or otherwise circulated on the exchange, if, according to paragraph 1, these futures may not be negotiated on the exchange or through the office of an exchange broker.

SEC. 52.—Future dealings on the exchange which do not infringe upon this law or upon the regulations of the Bundesrat shall be considered valid only if negotiated according to sections 53 to 56.

SEC. 53.—The transaction is binding if both contracting parties are merchants who are registered in the commercial register or whose registration is, according to section 36 of the "Handelsgesetzbuch," not required, or if both parties are registered associations. Small traders, not excepting those who are registered in the commercial

register, are not included in the merchant class in the accepted sense of the above provision.

The following are to be regarded as merchants to whom the provision of paragraph 1 is to be applied:

1. Persons who at the time of, or prior to, the conclusion of the transaction have been engaged in the banking business or in future dealings on the exchange, as well as those who held the permanent right of admission to, and of taking part on, the exchange on which the dealings in the particular merchandise or securities are authorized.

2. Persons who at the time of concluding the transactions have neither domicile nor business establishment within the country.

SEC. 54.—If one of the contracting parties in the transaction of securities is precluded by section 53 from engaging in future dealings on the exchange, while the second party is either a merchant or an association of the nature designated in section 53, paragraph 1, and in case the latter party has obtained securities for the proper execution of the contract, this same party has a right to compensate itself out of the security, and the transaction is equally binding for the latter party.

The security obtained for the proper execution of the contract shall be used as indicated in paragraph 1 only when the former consists of money or of listed securities, and when the party which furnished the security declared explicitly and in writing that the security is to cover eventual losses suffered by the other party on account of his future dealings.

The paper on which the above declaration is made shall contain no other declarations of the party furnishing the security.

If the furnished security consists of negotiable papers, the latter must be specified in the declaration according to their kind, number, or nominal value.

A declaration not containing such a description of the securities is to be regarded as void.

Telegraphic communication is acceptable as written declaration. An additional written declaration, however, may be subsequently required.

Alterations made in the declaration, which do not affect the nominal value of the furnished security, are exempt from stamp duty.

SEC. 55.—The return of the consideration given in connection with the time bargain can not be demanded on the ground of sections 52 to 54.

SEC. 56.—Claims arising out of time bargains may be compensated from the consideration given in connection with other future dealings even in case such claims can not, within the meaning of sections 52 to 54, be made directly on the ground of the latter transactions.

SEC. 57.—A future dealing which is not prohibited on the exchange is to be regarded as binding from the beginning, if at or after the time of maturity one of the parties agreed to accept the consideration given by the other party.

SEC. 58.—No objection against claims can be made on the ground of sections 762 and 764 of the Civil Code[a] by

[a] These sections deal with gambling.

persons for whom future dealings in the merchandise or securities which are allowed on the exchange are binding according to sections 53, 54, and 57. Nor does such objection affect the right of the other party to compensate itself, according to sections 54 and 56, from the consideration of that particular or other transactions.

SEC. 59.—The provisions of sections 52 to 58 are applicable also to a compact by which one party assumes an obligation toward the other with the purpose of clearing, and particularly with the purpose of acknowledging, a debt by means of future dealings permissible on the exchange.

SEC. 60.—The provisions of sections 52 to 59 are applicable also to the issue and acceptance of orders, as well as to combinations made with the purpose of concluding nonprohibited future dealings.

SEC. 61.—The provisions of sections 52 to 60 are applicable also to transactions which have been concluded or which must be carried out abroad.

SEC. 62.—In case of future dealings in merchandise, the vendor is to be considered as breaking the contract if, after due notice, he delivers goods not in accordance with the agreement, even though the time for delivery has not yet expired.

Any stipulation to the contrary is to be void.

SEC. 63.—Future dealings in stocks of mines or factories are permissible only after the consent of the Bundesrat has been gained.

The Bundesrat is authorized to prohibit future dealings in particular merchandise or to make such transactions dependent upon certain conditions.

SEC. 64.—The transaction is not binding in case of stocks of mines or factories in which dealings in futures are not permissible on the exchange (sec. 63, par. 1), or in case of merchandise in which such transactions are prohibited by the Bundesrat. (Sec. 63, par. 2.) This provision applies also to the furnishing of security.

The return of the consideration can not be demanded on the ground of the first part of paragraph 1.

SEC. 65.—Future dealings in farm products are prohibited.

SEC. 66.—Future dealings in farm products are not binding. This applies also to the furnishing of security.

The right of demanding the return of the consideration on the ground of paragraph 1 shall be forfeited upon the expiration of two years after the consideration has been given, unless the person demanding the latter informed the other party to that effect before the expiration of that period.

SEC. 67.—The provisions of sections 60 to 66 are not applicable to transactions in farm products if they are contracted on terms approved by the Bundesrat or if the following were the contracting parties:

1. Producers or manufacturers of the same kinds of goods as those in which the transactions are made.

2. Merchants or registered associations trading in farm products.

The following stipulations must be explicitly stated:

1. That, in case of forfeiture, the nonnegligent party shall not be able to refuse acceptance of the consideration without giving the other party an adequate period for supplying the consideration.

2. That only such goods must be delivered which, before the declaration by the vender of his readiness to deliver them, have been examined by sworn experts and found fit for delivery.

3. That goods may be delivered not in accordance with the agreement, if the reduction in the value of the goods appraised by experts does not exceed a certain amount and if the difference is returned to the buyer, or if the excess value appraised by experts, in case of higher value. is turned in to the vender.

SEC. 68.—The provision of section 66 is applicable also to compacts concluded to the effect that the difference which may arise between the prices of the farm products at which they are sold and the exchange or market price at the time of delivery shall be returned to the losing party. This provision is valid even in cases when future dealings are not forbidden on the exchange, as well as in cases when the repayment of the eventual difference being the intention of one party, this intention is known or could be known to the other party.

The provisions of sections 762 and 764 of the Civil Code have no application to an agreement for the future delivery of farm products.

SEC. 69.—The provisions of sections 64, 66, and 68 are also applicable to an agreement by which one party as-

sumes an obligation toward the other party with the purpose of clearing, and particularly with the purpose of acknowledging, a debt by means of future dealings which are either prohibited on the exchange or are of the nature specified in section 68.

SEC. 70.—The provisions of sections 64, 66, 68, and 69 are applicable also to the issue and acceptance of orders as well as to combinations made with the purpose of negotiating futures which are either prohibited on the exchange or are of the nature specified in section 68.

V.—IMPOSITION OF FINES.

SEC. 71.—Any person who concludes a time bargain in farm products which was to his knowledge prohibited on the exchange is to be subject to a fine not exceeding 10,000 marks.

SEC. 72.—The period of limitation for offenses punishable according to section 71 shall terminate upon the expiration of three years after the date on which the offense was committed. The provisions of sections 68 and 69 of the Penal Code shall be applicable.

SEC. 73.—The state governments shall establish committees with authority to direct proceedings and to impose fines for offenses on the corn exchanges. The state governments may appoint one common committee for several exchanges.

SEC. 74.—Appeals can be made from the decision of the committee by the state commissioner as well as by the defendant. For this purpose an appellate committee shall be appointed by the Bundesrat.

SEC. 75.—The committees authorized to render decisions must consist of five, and the appellate committee of seven, members, including the respective chairmen. One half of the members of the committee must be representatives of commerce, the other half representatives of agriculture.

SEC. 76.—The chairmen of the committees and the appellate committee must be either federal or state officers.

The provisions concerning the manner of convening the necessary number of members of the committees are to be issued by the state governments.

The provisions concerning the manner of convening the necessary number of members of the appellate committee are to be issued by the Bundesrat.

The office of a member of these committees is honorary. The members shall have their traveling expenses defrayed. The provisions of section 56 of the law of organization of courts are applicable in so far as the president of the appellate committee shall have the deciding voice.

SEC. 77.—Proceedings may be carried on only by the committee of the exchange where the particular transaction has taken place.

If it is uncertain as to which of the committees is competent to render decision in a particular case, the question shall be determined by the chairman of the appellate committee.

SEC. 78.—Notice of violation of the exchange laws may be given to the chairman of the committee either in writing or verbally.

The authorities intrusted with the supervision and control of the exchanges shall bring to the notice of the

chairman of the committee any action which may be subject to the penalty of a fine.

Persons suspected of having committed an action in defiance of the prohibition of this law must, upon the order of the state commissioner or the chairman of the committee, produce a list containing all the transactions concluded by them in farm products which are subject to the duty specified under the tariff number 4b of the imperial stamp law of the 3d of June, 1906. ("Reichsgesetzblatt," p. 695.) The time to be covered by the list shall be determined by the chairman. Besides the required list of transactions, the defendants must also submit the letters, in the original or in copies, sent and received in connection with the transactions, as well as the accounts and bills. (Section 12 of the imperial stamp law.)

SEC. 79.—The provisions of sections 11 and 12, paragraph 1, section 16, paragraphs 1, 2, 3, and 5, and sections 18 to 25, are applicable also to the proceedings of the committees in so far as these proceedings are not affected by the following provisions.

SEC. 80.—The decisions of the committees shall be rendered only by majority vote. Decisions which may be necessary before the final trial shall be issued by the chairman. The proceedings may be dismissed only with the consent of the state commissioner. The chairman may require information from all public authorities.

SEC. 81.—The examination of witnesses and experts shall be conducted according to sections 48 to 64, 66 to 80, and 82 to 86 of the "Strafprozessordnung."

The witnesses and experts may, upon the consent of the state commissioner, be excused from taking an oath. The

latter must, however, be taken in the preliminary proceedings.

The district court of the locality where the witnesses or experts have their domicile or temporary residence may, upon request of the committee, bring to bear coercive measures and also impose fines upon witnesses and experts who ignore the subpœna of the committee or who refuse either to testify or to take oath.

SEC. 82.—In the course of proceedings the committee may order that the business books of the defendant be produced for examination.

The defendant refusing to comply with the above order shall be subject to a fine which may not exceed 1,000 marks. Appeals brought from the imposition of such fines shall be subject to the decision of the appellate committee.

The provision of paragraph 2 is applicable also to the refusal to comply with the order designated in section 78, paragraph 3.

SEC. 83.—Orders of the committees, the appellate committee, and the chairmen must be executed by the courts within the limits of their competence.

Appeal from the decision of the court may be made in accordance with the provisions of the "Strafprozessordnung."

SEC. 84.—The state governments are authorized to issue supplementary regulations regarding the proceedings in the courts of first instance, and particularly regarding the exaction of fines and costs in behalf of the state treasuries.

Supplementary regulations regarding the proceedings in the courts of second instance may be issued by the Bundesrat.

The exaction of fines and costs shall be carried out in accordance with the provisions of the law concerning the collection of duties and fines, of the 9th of June, 1895. ("Reichsgesetzblatt," p. 256.)

SEC. 85.—A fine imposed according to section 71 is to be exacted in favor of the State in which the decision by the committee in the court of first instance was pronounced. The state treasury is to defray all costs which must not be returned by the defendant or which can not be exacted from the latter.

SEC. 86.—The period of limitation for exaction of fines imposed on the ground of section 71 is to terminate upon the lapse of two years after the decision has become final. Actions taken by the proper authority for the exaction of the fine remove the period of limitation.

SEC. 87.—Persons guilty of offenses designated in section 71 may be subject, besides the penalty of a fine, to reprimand as well as to temporary or permanent exclusion from the exchange by the court of honor. (Sec. 10.)

VI.—PENAL AND FINAL PROVISIONS.

SEC. 88.—Any person who intentionally makes use of fraudulent means in order to manipulate the exchange or market prices of merchandise or securities shall be punished with imprisonment, together with a fine which is not to exceed 15,000 marks. The offender may also be deprived of his civil rights.

If extenuating circumstances exist, the fine alone may be imposed.

The same penalty is to be imposed upon any person who intentionally makes false statements in the prospec-

tus (sec. 38) or in public announcements purporting to bring about subscription, purchase, or sale of securities.

SEC. 89.—Any person who, in reward for communications in the press purporting to bring about manipulation of prices, affords or offers advantages which are evidently out of proportion to the consideration, or any person who accepts such reward or the promise for such reward, shall be punished with imprisonment for a period not exceeding one year and fined a maximum amount of 15,000 marks.

The same penalty shall be imposed upon any person who advisedly allows advantages to be afforded or promised him as a reward for suppression of communications with the purpose of manipulating the prices on the exchange.

The mere attempt at such offenses is punishable. If there are extenuating circumstances, the fine alone may be imposed.

SEC. 90.—Any person who, in defiance of the provisions of sections 42, 43, 51, paragraph 2, publishes or in any other way circulates lists of quotations (Kurszettel), shall be liable to a fine not exceeding 1,000 marks, or to imprisonment for a period not exceeding six months.

SEC. 91.—Any person, who has once been convicted and fined for violation of section 71, and who contracts for a second time future dealings in farm products, shall, if found guilty, be punished with imprisonment and a fine not exceeding 10,000 marks.

SEC. 92.—Any person who, with a mercenary object in view and with the intention of manipulating the prices

of farm products, concludes transactions falling within the prohibition of section 68, shall be punished with imprisonment and a fine not exceeding 10,000 marks. Where extenuating circumstances exist, the fine alone may be imposed.

SEC. 93.—The provisions of sections 78, paragraph 3, and 82, paragraph 3, apply also to offenders named in section 92.

SEC. 94.—Any person who, with a mercenary object in view, induces other people to take part in exchange speculations and thus takes advantage of their inexperience or indiscretion, shall be liable to imprisonment and fined an amount not exceeding 15,000 marks. The offender may also be deprived of his civil rights.

SEC. 95.—An agent who, in order to procure a pecuniary advantage to himself or a third party, (1) either renders advisedly wrong counsel or inaccurate information concerning the transaction to be concluded, and thus causes pecuniary detriment to his client, or (2) acts intentionally to the disadvantage of his client in carrying out the orders or in settling the affairs of the latter, shall be liable to imprisonment. The offender may also be fined an amount not exceeding 3,000 marks and may be deprived of his civil rights. Where extenuating circumstances exist, the fine alone may be imposed.

A mere attempt to commit the offense designated under (1) shall be punishable.

SEC. 96.—The provisions of II and IV, as well as those of section 88 concerning securities, are also applicable to bills of exchange and foreign money.

II. REGULATIONS FOR THE BERLIN EXCHANGE OF DECEMBER, 1908.

I.—Supervision and Administration.

Section 1.—The right of direct supervision over the Berlin exchange shall be vested in the chamber of commerce in Berlin.

Notifying offices, clearing banks, clearing associations, and similar institutions connected with transactions on the Berlin exchange are subject to the supervision of the same authority. The statutes of such institutions, as well as their regulations concerning transactions on the exchange, must be approved by the chamber of commerce. The statutes and regulations of institutions already in existence shall remain in force.

Sec. 2.—The administration of the exchange shall be carried on by the board of directors. This board shall consist of 36 members, of whom 9 must be elected by the chamber of commerce from among its members, and 27 by and from among the persons who have the permanent right of transacting business on the exchange (sec. 15).

The financial administration of the exchange shall, in accordance with the statutes of corporations, be in the hands of the senior members of the city of Berlin, who shall recommend to the board of directors and the board of admission the necessary employees with the exception of the recorders who are to be appointed by the chamber of commerce.

SEC. 3.—The election of the members of the board of directors by the persons admitted to the exchange shall take place in the month of December, for three calendar years, by secret ballot and by a plurality of votes. In case of a tie the election shall be decided by lot. Of the 27 members to be elected by the exchange members, 15 shall be elected from among those persons who have the right of transacting business in the stock-exchange department, and 12 from among those who have the right of transacting business in the produce-exchange department. (Sec. 17, par. 1, sentence 2.) Members of the chamber of commerce are not eligible. Four of the 15 members elected from among the persons admitted to the stock-exchange department and 2 of the 12 elected from among the members of the produce-exchange department must be senior merchants.

The election shall take place in the following two ways: (1) Two ballots shall be used for the election of the members of the stock-exchange department, one being for the election of the 4 senior merchants and another the election of the 11 remaining members, and (2) three ballots shall be used for the election of the members of the produce-exchange department, one for the election of the 2 senior merchants, another for the election of 2 members engaged in the farm industry, and a third one for the election of 8 members without these limitations.

Of the members of the board of directors thus elected 5 of those representing the stock-exchange department (par. 4) and 4 of those representing the produce-exchange department (par. 4) shall retire annually.

The list of electors shall be ready for examination in the registrar's office eight exchange days before the election. The time for such examination shall be announced by means of placards in the exchange halls. No attention is to be paid to objections against the list of electors which are received after the expiration of the eight-day period.

The election shall take place upon the notification given by the chamber of commerce by means of placards in the exchange halls for a period of eight exchange days and by means of advertisements in not less than four Berlin newspapers.

The election of the members of the board of directors by the chamber of commerce from among its members shall take place in the month of December, for one calendar year, in the following manner: (3) Five members shall be elected for the stock-exchange department, and (4) four members for the produce-exchange department.

In case of resignation of some members elected in accordance with paragraph 1, the board of directors may cooptate new members for the remainder of the calendar year. In case of the resignation of some members elected in accordance with paragraph 6, the vacancies shall be filled by members of the chamber of commerce.

SEC. 4.—The board of directors shall consist of two sections: (1) The stock-exchange section, to which belong the members specified in section 3, figures 1 and 3, and (2) the produce-exchange section, to which belong the members specified in section 3, figures 2 and 4.

In addition to the above number of the board of directors, five representatives of agricultural and allied

industries shall be elected, who shall participate in the meetings of the board of directors dealing with matters concerning the agricultural trade. The board of agriculture (*Landes-Ökonomie-Kollegium*) shall nominate for this purpose 10 persons, of whom 5 shall be elected for three calendar years by the persons who have the right of transacting business in the produce exchange department. (Sec. 2.) The election shall be carried out in accordance with the regulation of section 3, paragraph 1.

In case of the resignation of some members representing agricultural and allied trades, the members of the board of directors elected, in accordance with section 3, from among the members of the produce exchange department, shall fill out the vacancies by cooptation of new members till the end of the term for which they are elected. The board of agriculture (*Landes-Ökonomie-Kollegium*) shall nominate for this purpose twice the number of persons to be elected and not less than five candidates.

SEC. 5.—The quorum of the general board of directors of the exchange is to consist of 15 members; of the stock exchange section, of 9 members; of the produce exchange section, of 7 members; while the quorum of the section representing the agricultural and allied trades is to consist of 9 members.

SEC. 6.—The board of directors and its sections shall elect annually from among their members a chairman and two deputies. These elections require the sanction of the chamber of commerce.

The board of directors and its sections shall issue their own standing orders. The latter require the approval of the chamber of commerce.

SEC. 7.—The particular functions of the board of directors are as follows:

1. To control the enforcement of the laws and administrative regulations with regard to the exchange.

2. To maintain order on the exchange and to issue, with the approval of the chamber of commerce, regulations concerning the conclusion of transactions on the exchange.

3. To decide upon the granting of the right of admission to the exchange.

4. To enforce discipline on the exchange.

5. To nominate candidates for the election of the exchange committee.

6. To grant the right of future dealings in merchandise and securities on the exchange.

7. To fix and announce the quotations and prices.

8. To determine the conditions of transactions on the exchange.

9. To straighten out, in accordance with the business regulations, all differences arising in connection with the exchange transactions.

In so far as the functions pertain to the business and the transactions of the separate departments of the exchange, they are to be discharged independently by each individual section of the board of directors.

SEC. 8.—The board of directors of the exchange shall elect annually from among its members a committee for the purpose of examining applications for admission to the exchange. The committee is competent to pronounce a final decision with regard to such applications, if the decision is made unanimously.

This committee is to discharge also the functions of an investigation committee. (Cf. sec. 20.)

SEC. 9.—The board of directors of the exchange shall elect annually from among its members a committee of 5 members and 8 deputies to act as arbiters, in a quorum of 5 members, in controversies which are voluntarily submitted to the committee for award. Further regulations concerning the procedure shall be issued together with the standing orders of the general board of directors.

SEC. 10.—The members of the board of directors of the exchange are required to maintain order and decorum in the assembly rooms and in all other places of the exchange.

Each member of the board of directors elected in accordance with section 2, paragraph 1, is authorized to remove at once from the exchange, without entering into any explanation, any person who causes a disturbance or infringes on the rules relating to decorum of the exchange, or who refuses to obey the order of a member of the board of directors relating to the same effect. The member of the board of directors who orders such a removal shall render on the very same day a written report to that effect to the chairman of the board of directors.

The chairman is authorized, upon his examination of the removed member, to debar the latter from admission to the exchange during the pendency of the proceedings instituted in accordance with sections 19 and 20.

The board of directors of the exchange shall appoint officers for the purpose of enforcing the instructions of the members of the board of directors in regard to the maintenance of order and decorum.

SEC. 11.—In the decision of appeals brought either against a section of the board of directors representing the stock exchange or the produce exchange departments, or against the general board of directors, the members of the chamber of commerce, who are also members of the respective departments, and, in the latter case, members of the board of directors, shall have no vote. They are allowed, however, in all cases to participate in the deliberations.

II.—TRANSACTIONS ON THE BERLIN EXCHANGE.

SEC. 12.—The function of the Berlin exchange consists in facilitating transactions in the following merchandise and securities:

1. Specie and noble metals, bank notes, paper money, state or other negotiable papers, coupons, dividend warrants, bills of exchange, checks, drafts, and orders (stock exchange department).

2. Corn, flour, malt, starch, sugar, seeds, rapeseed oil, petroleum, spirits, and other products and merchandise (produce exchange department).

III.—ADMISSION TO THE EXCHANGE—DISCIPLINARY PROCEEDINGS.

SEC. 13.—Admission to the exchange shall be granted to an applicant by the board of directors, upon the written request of the former.

Members of the exchange having the permanent right of concluding transactions on the exchange (section 15) shall receive, upon the payment of a fee, an exchange card. New members shall receive an admission card. If not otherwise provided, the cards shall be made out for one calendar year, and shall be not transferable.

Members of the board of seniors (*Aeltestenkollegium*) and the chamber of commerce, who take no part in the exchange transactions, officers of the chamber of commerce and the association of merchants, as well as all persons who, without taking part in the exchange or broking transactions, are authorized, in virtue of their offices, to be present at the exchange meetings, shall be admitted to the exchange without requiring special permission, and shall receive an admission card free of charge. Exchange brokers must provide themselves, upon payment of a fee, with an exchange card.

SEC. 14. The following are debarred from the exchange:

1. Persons of the female sex.

2. Persons deprived of civil rights.

3. Persons who in virtue of a judicial order are restricted in the right of the disposal of their property.

4. Persons against whom a final conviction of fraudulent bankruptcy has been pronounced.

5. Persons against whom a final conviction of ordinary bankruptcy has been pronounced.

6. Persons who are insolvent or who are representatives of one of the companies or associations named in section 15, which are declared insolvent. Within the meaning of this law, all debtors, who, instead of meeting

their indisputable obligations, either make offers of some kind of settlement to the creditors or leave their mature and indisputable debts unpaid, shall be regarded as insolvent. Liabilities which have been declared due either by the final decision of the exchange arbitration court or by the award of any other arbitration board shall be regarded as indisputable debts.

7. Persons who have been excluded from the exchange by a final or immediately enforceable decision of the court of honor.

8. Persons who suffer from any disease which may involve danger to the members of the exchange or prove detrimental to the business of the exchange.

Should any of the cases specified under figures 2 to 6 and 8 present itself after the granting of the right of admission, the exclusion shall take place only upon the decision of the board of directors.

Admission or readmission to the exchange can take place in the cases designated under figures 2 and 3 only after the debarring causes have been removed; in the case designated under figure 5, only upon the expiration of six months after the enforcement of the legal decision or upon its becoming void either because of the lapse of the period of limitation or because of remission. In the latter case, as well as in the case named under figure 6, the admission may be granted only when the exchange board of directors is satisfied that all obligations to the creditors have been either fulfilled by payment or straightened out by remission or respite. A person who has been declared insolvent or bankrupt for a second time is to be debarred from

admission or readmission for a minimum period of one year. In the case named under figure 4 the exclusion can not be recalled. In the case designated under figure 6 the exchange board of directors may fix a minimum period of exclusion.

In case of debarment of the principal or representative of a firm in accordance with the regulations under figures 2 to 7, the other members or representatives of the same firm may be deprived of their right of admission by the decision of the board of directors.

SEC. 15.—Permanent admission to the exchange with the right of transacting business shall be granted to those adults who are registered as owners of a firm, as partners of a commercial company, as members of the board of directors of a joint-stock company, as personally liable partners of a limited liability company or of a limited liability stock company, as managers of a limited liability company, or as members of the board of directors of an association which is entered either in the commercial register or in the association register of Berlin or its suburbs, as well as to members of the board of directors of public banking institutions which are located either in Berlin or in its suburbs.

Admission may be refused to the designated persons who have fulfilled the requirements named in section 17, only if such admission conflicts with the provisions of sections 14 and 17, paragraph 4, or if certain circumstances are known to the board of directors of the exchange which justify the suspicion that the applicant will be unable to comply with the exchange requirements of transacting

business. In this case the rejection of the application need not be accompanied with a statement of the reasons.

Authorized clerks or representatives of the business may in certain cases be permanently admitted to the exchange with the right of concluding transactions for the persons specified in paragraph 1 of this section.

The board of directors of the exchange may grant to other persons the right of admission and transacting business on the exchange, if such admission does not conflict with paragraph 2 of this section, and if the prescribed requirements are complied with. The board of directors may also recall such right at its own discretion.

SEC. 16.—The following persons may be admitted to the exchange by the board of directors if such admission does not conflict with the provisions of sections 14 and 17, paragraph 4:

1. Commercial employees (authorized clerks, assistants, unsalaried clerks and apprentices) of a person who is authorized, in accordance with section 15, to attend the exchange, of a broker, of one of the companies or associations named in section 15 and represented on the exchange by at least one person who has the right of admission according to section 15, or of a public banking institution which is located either in Berlin or in one of its suburbs. These persons may transact business on the exchange only in the name and for the account of their employers.

2. Admission without the right of concluding transactions may be granted to (*a*) press reporters; (*b*) persons engaged in a trade which is auxiliary to the exchange business; (*c*) messengers of the persons, etc., named under

figure 1; (*d*) other persons residing in Berlin or its suburbs; (*e*) merchants and authorized clerks who do not reside in Berlin or its suburbs and recommended by a person who has the right of admission in accordance with section 15. The last-named persons shall be supplied with a stranger's entrance card which is to be valid for six weeks.

The right of admission shall be granted to persons named under figures 1 and 2 *c* for a period of one calendar year; to persons named under 2 *e*, for six weeks, while the right of admission to the other persons shall be granted for an unlimited period of time.

The board of directors may recall the right of admission at its discretion. The board is required to recall the privilege in case the admitted person participates in exchange transactions without his having any right to the latter.

Adults, against whom no objection exists, may be admitted to the exchange without an admission card; but not more than six times a year, if they are introduced by persons having the right of admission according to section 15, and after the names of both the introducers and the introduced, the latter with particulars of calling and residence, have been entered in the visitors' book at the entrance to the exchange rooms.

SEC. 17.—Applications for the right of admission to the exchange must, in the cases designated in section 16, figures 1 and 2 *c*, be made by the employer; in all other cases by the persons seeking such admission. Persons who apply for admission in accordance with section 15, shall state in their application whether they wish to be entered

as members of the stock exchange department or of the produce exchange department, in order that their names shall be enrolled in the proper list of electors. (Sec. 3.)

The applications in cases of sections 15 and 16, figures 2 *a* and *b*, shall be provided with the signatures of three guarantors who, in accordance with section 15, have held the right of admission for at least two years; in the case of press reporters, the application shall be provided with the signatures of three guarantors who hold the right of admission as reporters; in the case of the traders designated in section 16, figure 2 *b*, the application must contain the signatures of three guarantors who are admitted to the exchange in virtue of their trades. The application, together with the names of the guarantors, must be exhibited in the exchange rooms for a minimum period of eight exchange days. After the expiration of this period the guarantors must make the declaration which is to be entered in the records of the exchange that upon careful consideration they regard the applicant as a man who, in the cases named in section 15, deserves the respect of his professional colleagues and the permanent admission to the exchange with the right of participation in the exchange transactions, or who, in the cases named in section 16, figure 2 *a* and *b*, deserves the respect of persons attending the exchange and the right of admission to the exchange. Members of the board of directors of public banking institutions are not required to produce guarantors.

Members of the exchange who have been debarred from the latter by the decision of the court of honor or the exchange board of directors (see secs. 18 and 19) for a

definite period of time, shall, after the expiration of the fixed period, be readmitted to the exchange without any application. Persons, who in compliance with section 15 or section 16, figure 2 *a* and *b*, were granted the right of admission to the exchange, but forfeited it either through revocation or through exclusion for an indefinite period or through any other reason (relinquishment, inability to further comply with the requirements for admission, etc.) and who apply for readmission, may be released by the board of directors from producing guarantors.

Persons whose applications for admission to the exchange have been rejected may not renew their applications within a period of six months.

SEC. 18.—Should a person admitted to the exchange in accordance with section 15 or section 16, figure 2 *a* and *b*, be excluded for a period of three months, or should his right of admission be recalled, the board of directors of the exchange is required to investigate whether at the time of their recommendation the guarantors were or, had they properly fulfilled the duty imposed upon them by reason of their recommendation, could have been aware of facts which were in conflict with the statements made by them in their declaration. A guarantor found guilty of such misdemeanor shall be temporarily or permanently deprived of the right of serving as guarantor, and may, besides, be debarred from the exchange for a minimum and a maximum period of three days and three months, respectively. No proceedings shall be instituted against the guarantors if a period of over three years has elapsed between the time of furnishing the guaranty and the time of exclusion.

In the cases named in section 16, figures 1 and 2 *c*, the employer is required to see that the persons designated in figure 1 shall transact business on the exchange only in the name and for the account of the employer, and that the persons designated in figure 2 *c* shall discharge only their messenger duties.

If an employer who applied for the admission of his employees was or could have been aware that they would transact business for which they were not authorized, or if he advisedly or through negligence suffered them to transact such business, he shall be subject to the penalty imposed on persons having the right of admission to the exchange and committing one of the offenses specified in section 19. If the employer is a company or an association, the penalty shall be imposed upon their representative or representatives who are admitted with the right of transacting business on the exchange.

SEC. 19.—All persons attending the exchange are subject to the orders of the board of directors of the exchange.

The following shall be expelled from the meetings of the exchange:

1. Any person who, in the rooms or in all other places of the exchange, between the time of opening and the time of closing the entrance doors, (*a*) insults a person who has the right of admission to the exchange or an official employee of the latter; (*b*) excites a tumult, causes a disturbance, hinders the business on the exchange, or acts contrary to the order of a member of the board of directors; (*c*) refuses to obey the order of the exchange official to leave the exchange after the close of business.

2. Any person who, in cases under the jurisdiction of the board of directors, fails without excuse to appear on the summons of the latter or of its committee, either as a witness or as a defendant in disciplinary proceedings, or who either refuses to testify or advisedly gives false testimony.

The period of exclusion shall be not less than three days and not more than one year.

In lieu of expulsion from the exchange, the board of directors may either reprimand or impose a fine of not less than 50 and not more than 1,500 marks. The amount received shall be used for the purpose of aiding necessitous persons among those attending the exchange.

SEC. 20.—Before the issue of an order for expulsion from the exchange, for recall of the right of admission, for deprivation of the right of serving as guarantor, for reprimand, or the imposition of a fine, the person concerned shall be summoned before a recorder and the investigation committee of the board of directors of the exchange. The defendant shall be informed of the decision. If the address of the defendant is unknown, the subpœna, as well as the decision, shall be exhibited in the exchange rooms for eight exchange days.

SEC. 21.—The decisions referred to in section 20, paragraph 1, may be made public, upon the order of the board of directors, by exhibition in the exchange rooms for eight exchange days.

SEC. 22.—Appeals may be made to the chamber of commerce from the rejection of an application for admission to the exchange, as well as from the decisions referred

to in section 20, paragraph 1, and section 21, within a period of one week after the decisions have been served on the appellants.

IV.—The Court of Honor.

Sec. 23.—The court of honor of the Berlin exchange shall consist of 5 members and 7 deputies, and shall be elected by and from among the members of the chamber of commerce for a period of three calendar years. Any vacancy occurring during this period shall be filled by a substitute to be elected by the chamber of commerce for the remainder of the period. In addition to the above members and deputies, the chamber of commerce shall also elect a recorder, who is to be present at the conferences of the court of honor with an advisory voice.

The quorum of the court of honor shall consist of 5 voting members.

The board of directors of the exchange shall be notified of all decisions which have become final or which have been declared immediately enforceable on the ground of section 16, paragraph 4, of the exchange law.

In case of temporary expulsion of a member from the exchange, the beginning of the period of exclusion shall be determined by the board of directors, if the court of honor has not availed itself of the power conferred upon it by section 16, paragraph 4, of the exchange law.

V.—The Board of Admission.

Sec. 24.—The board of admission of the Berlin exchange shall consist of not more than 28 and not less than 22 members, as well as of not more than 10 and not

less than 8 deputies. At least one-half of the members and one-half of the deputies shall be elected from among persons who are not professional exchange dealers in securities. Five of the members shall be elected from among those of the chamber of commerce and 6 from among the senior merchants.

The members shall be elected for a period of three calendar years by the chamber of commerce. Any vacancy occurring during this period shall be filled by a substitute to be elected by the chamber of commerce for the remainder of the period.

The quorum of the board of admission shall consist of 9 members.

SEC. 25.—The board of admission shall elect annually from among its members a chairman and two deputies. These elections must be approved by the chamber of commerce.

The board of admission shall issue its own standing orders, which must also be approved by the chamber of commerce.

SEC. 26.—Applications for the listing of securities on the exchange can be made only by firms which are located either in Berlin or in one of its suburbs.

SEC. 27.—Appeal may be made to the chamber of commerce from the decision of the board of admission rejecting the application for the listing of a new emission. In order to be considered, such appeal must be made within two weeks after the appellant has been notified of the decision. The chamber of commerce shall submit a copy of the appeal to the board of admission.

Members of the chamber of commerce belonging to the board of admission may participate in the deliberations of the former in regard to appeals from the decisions of the board of admission, but they may have no vote.

VI.—Investments in Futures.

Sec. 28.—Future dealings in merchandise or securities shall be allowed on the exchange only after the application for their listing has been announced for two weeks by means of placards in the exchange rooms.

The result of the investigation instituted, in accordance with section 50, paragraph 3, of the exchange law, before the listing of the merchandise on the exchange shall be communicated to the Imperial Chancellor through the Minister of Commerce and Manufacture.

The Minister of Commerce and Manufacture is to be notified of the listing of merchandise or securities on the exchange.

Finally, for the purpose of obtaining the approval of the Bundesrat, the Minister of Commerce and Manufacture shall be informed of the business conditions in regard to the transactions specified in section 67 of the exchange law.

VII.—Quotations and Prices.

Sec. 29.—The official quotations and prices shall be fixed in the name of the exchange board of directors by one or several members of the latter board.

The names of the authorized members shall be announced by means of placards in the exchange rooms. In case the members are prevented from discharging their

duties, the fixing of prices shall be effected by other members of the board of directors.

The fixing of prices of farm products shall be effected with the cooperation of at least two members of the board of directors who have been elected as representatives of agriculture and allied industries. The control of the fixing of prices shall lie in all cases in the hands of one member of the board of directors who has been elected in accordance with section 2, paragraph 1. In case of the cooperation of several members in the fixing of the prices, the control shall be transferred to the eldest member. Differences of opinion shall be decided by majority vote. In case of a tie the vote of the senior member shall be decisive.

SEC. 30.—The board of directors shall determine, with the approval of the chamber of commerce, on what days and at what intervals the fixing of the prices and quotations shall take place. The approved decision shall be announced by means of placards in the exchange rooms.

SEC. 31.—The fixing of prices shall be effected immediately after 2 o'clock, and on Saturday immediately after 1.30, in the rooms designated for that purpose. The exchange brokers shall, on the days on which prices or quotations are to be fixed for their branch of business, be present in the designated rooms punctually at 2, and on Saturdays at 1.30 p. m., and remain there until dismissed by the officiating members of the board of directors.

The exchange brokers must give all information to the best of their knowledge which may be necessary in connection with the fixing of quotations and prices.

If doubts or differences arise in that regard the member of the board of directors to whom the control of the fixing of prices and quotations is transferred is authorized to demand an explicit and recorded declaration of the exchange brokers, who must be reminded of their oath; he is also authorized to test at his discretion the veracity of the brokers by examining their daybooks or by availing himself of any other means he may deem fit. The exchange brokers have a right, when submitting the daybooks, to withhold the names of their clients.

The quotations and prices to be fixed shall be determined solely by the board of directors, and it is left to them to acquire the necessary information, outside of what is furnished by the exchange brokers, either by looking into the transactions concluded in conformity with the exchange regulations or by examining the prices offered or demanded.

The records of the fixing of quotations and prices shall be kept by the exchange secretaries.

No quotations or prices shall be officially fixed for transactions concluded after 2 o'clock, and on Saturday after 1.30.

SEC. 32.—The official list of quotations of various kinds of farm products (wheat, rye, barley, etc.) in which the main exchange transactions are to be concluded shall specify the prices for domestic and imported goods and state whether the latter belong to an old or new harvest, with the distinctions of quality, color, odor, dryness, etc., so far as such distinctions can be made.

SEC. 33.—As far as can be ascertained, the prices actually paid shall be fixed for each of the farm products quoted in accordance with section 32.

If the quotations are made only for negotiations of particularly small quantities, or if there are other special conditions, a statement is to be made to that effect, together with the issue of the list of quotations.

SEC. 34.—Immediately after the prices have been fixed, the official exchange list of the Berlin stock exchange and the official merchandise report, which must be prepared in conformity with the recorded minutes, shall be printed, and, upon being certified with the stamp of the proper section of the board of directors of the exchange, shall be published on the same afternoon.

The decision relating to the necessity and the manner of making other announcements in regard to the quotations and prices shall be left to the authority of the board of directors of the exchange.

VIII.—GENERAL PROVISIONS.

SEC. 35.—The offices of the members of the board of directors of the exchange, of the court of honor, and of the board of admission shall be honorary.

SEC. 36.—Exchange meetings shall take place in the exchange building belonging to the Corporation of Merchants of Berlin. In case of eventual changes, the place for the exchange meetings shall be determined by the chamber of commerce with the approval of the Minister of Commerce and Manufacture.

SEC. 37.—Exchange business shall be transacted every day, with the exception of Sundays and holidays, from 12 to 3 p. m., and on Saturdays from 12 to 2 p. m.

New hours, and consequently changes in the hours fixed in section 37, paragraph 1, may be decided upon by the board of directors, with the approval of the chamber of commerce. The decision shall go into effect after it has been announced for eight days by means of placards in the exchange rooms and inserted three times in not less than four Berlin newspapers.

The board of directors is authorized to cancel certain exchange days or to curtail the meeting hours on certain days.

SEC. 38.—The beginning and the close of the exchange hours shall be made known by a bell.

If, according to custom, the validity of notices or of declarations is conditioned by their being made during the exchange hours, the termination of the period may, by the order of one of the sections of the board of directors, be made known by a bell.

SEC. 39.—Announcements, other than those coming from the chamber of commerce, of the senior merchants, the board of directors of the exchange, and the board of admission may be made by means of placards in the exchange rooms, provided the board of directors of the exchange finds such announcements suitable in form and contents and in conformity with the purpose of the exchange business and with the general business interests.

Official announcements shall be certified by an exchange official.

SEC. 40.—The state commissioner is to be invited to all meetings of the exchange board of directors and its sections, as well as of the board of admission.

The Chamber of Commerce in Berlin.

(Signed.) FRANZ VON MENDELSSOHN.

BERLIN, *December 7, 1908.*

The above exchange regulations are approved.

Minister of Commerce and Manufacture.

(Signed) DELBRÜCK.

BERLIN, *December 23, 1908.*

The above exchange regulations shall go into effect on the 2d of January, 1909.

The Chamber of Commerce in Berlin.

(Signed.) FRANZ VON MENDELSSOHN.

BERLIN, *December 31, 1908.*

III. ANNOUNCEMENT CONCERNING THE LISTING OF SECURITIES ON THE EXCHANGE, BERLIN, 1896.

The following provisions regarding the listing of securities on the exchange were enacted by the Bundesrat on the ground of section 42 of the exchange law of June 22, 1896:

SEC. 1.—Securities may be listed on the exchange only when the total nominal value of the stock to be put into circulation amounts to a minimum sum of 1,000,000 marks in case of the exchanges in Berlin, Frankfort-on-Main, and Hamburg, and to a minimum sum of 500,000 marks in case of all other exchanges.

The supervising authorities of the exchanges in Berlin, Frankfort-on-Main, and Hamburg may, in special cases, allow the listing of securities of a minimum total value of 500,000 marks, provided the stock is of importance only for the industrial district in which the exchange is located. The state governments may under similar conditions allow the listing of securities of a total value of less than 500,000 marks on any other exchange.

The limitation mentioned in paragraph 1 does not apply to securities issued by a municipality, a company, or an individual, whose other securities have already been listed on the same exchange.[a]

(a) SUPPLEMENTARY ANNOUNCEMENT CONCERNING THE LISTING OF SECURITIES ON THE EXCHANGE, OF NOVEMBER 20, 1900.

The Bundesrat resolved to supplement the last paragraph of section 1 of the announcement concerning the listing of securities on the Exchange of December 11, 1896, as follows:

"If, in consequence of the relinquishment of a portion of the capital of a company whose shares have been listed on the exchange, the total value

SEC. 2.—Shares or interim certificates of a stock company or of a limited liability stock company shall be listed on the exchange, provided the value of each share amounts to at least 1,000 marks.

The last limitation does not apply to shares and interim certificates, the face value of each of which, owing to the state legislation concerning stocks, is less than 1,000 marks.

Foreign shares and interim certificates of a smaller face value shall be listed only with the consent of the state government.

SEC. 3.—The listing of securities is conditioned by the following requirements:

1. That the securities be fully paid up.

2. That their face value be in the German standard or in the latter together with some foreign standard.

3. That the interest and dividends, as well as the shares, which are either drawn in lottery or recalled, be payable in a German exchange city, and that the new coupons be issued there free of charge.

The requirement named under figure 1 is not applicable to shares and interim certificates of insurance companies.

In certain cases the board of admission may disregard the requirements named under figures 1 to 3. The state commissioner shall be notified of the granted exceptions and the reasons for them.

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of the stock falls below the minimum fixed in section 1, the board of admission may in certain cases allow the relisting of the shares.

"(Signed) GRAF VON POSADOWSKY,
Imperial Chancellor.

"BERLIN, *November 20, 1900.*"

In the case of exception from the requirement named under figure 2, the board of admission shall fix the rate at which the foreign standard shall be computed in the German standard which is to be adopted on the exchange.

SEC. 4.—Applications for the listing of securities on the exchange must be made in writing to the board of admission. The application must contain the particulars which, according to section 38, paragraph 1, of the exchange law, are required for the announcement of the application.

The application must be submitted together with the prospectus and the vouchers required in section 8. The prospectus must bear the signatures of the persons issuing it.

If the applicant is excused from submitting a prospectus (sec. 38, pars. 2 and 3 of the exchange law), no voucher shall be required.

SEC. 5.—The prospectus must state:

1. The name of the municipality, company, or person whose securities are to be listed on the exchange.

2. The legal titles (law, charter, agreement, and decision of the company, etc.) on the basis of which the securities have been issued.

3. The special purpose for which the profit of the emission may be intended.

4. The nominal amount of the issue, i. e., both the amount to be put into circulation and the amount to be provisionally kept out of circulation, as well as the period for which the latter amount will be reserved. (Sec. 38, par. 2, sentence 3, of the exchange law.)

5. The characteristic features (the amount, series, and numbers) of the individual securities, and whether they

are to be registered in the name of the holders or to be issued to bearer.

6. The nature of the securities in regard to their liquidation and redemption.

7. The kind of guaranty furnished for the capital, interest, and dividends, as well as an adequate description of the nature of the guaranty.

8. The advantages of the newly issued securities over the old ones and vice versa (preferred bonds, preferred stocks, etc.).

9. The abatements or limitations made at the payment of interest, dividends, or capital.

10. The places and the times at which the interest, dividends, and capital shall be disbursed, as well as the period of limitation for claims to interest, dividends, and capital.

11. The rate to be computed in case of section 3, paragraph 4.

SEC. 6.—Besides the above statements, the prospectus must also contain the following:

(A) In case of loans of a foreign state, a foreign municipal corporation or municipal credit institution:

1. An abstract of the last (ordinary and extraordinary) financial report of the municipality or a statement that no such report has been published by the municipality.

2. A review of the essential results of the financial affairs of the municipality during the last three years.

3. A report of the state of indebtedness of the municipality.

4. A description of the circumstances in case of failure on the part of the municipality to meet the obligations

in regard to the payment of capital or interest and arising out of a loan negotiated within the last ten years in accordance with the conditions of public loans.

(B) In case of shares or bonds of an industrial enterprise:

1. A description of the object and the extent of the enterprise.

2. A statement of the privileges extended to the enterprise, their duration, and the particular conditions upon which they were granted.

3. A statement of the rights possessed by another party as over against the entrepreneurs.

4. An account of the interruption in the work or the stagnation of trade which may have taken place within the last three years and which have diminished for a considerable length of time the proceeds of the enterprise.

5. A statement of the rights of the bondholders as over against the bond issuers.

(C) In case of certificates of indebtedness and mortgage bonds:

1. A description of the fundamental principles on which the appraisal of the property and the issue of the loan have taken place.

2. A statement of the maximum amount of certificates of indebtedness or mortgage bonds which may be issued on the basis of the loaned capital or the pledge.

3. A statement of the amount of the mortgage bonds and certificates of indebtedness which were in circulation at the close of the last calendar year.

4. A statement of the principal rights of the bondholders as over against the issuers. (The appointment of a depositary, the right to dead pledges, etc.)

5. A statement of the right of supervision to be exerted by the State, the municipality, etc.

SEC. 7.—In the case of shares or bonds of a joint-stock company or a limited liability stock company, the prospectus must contain, in addition to the statements required in sections 5 and 6, the following:

1. A description of the enterprise.

2. The date of registration in the Commercial Register.

3. The amount of the stock capital.

4. The method of appointment and organization of the boards of directors and supervisors, as well as a list of the names of the members in office.

5. The method of calling a general meeting of the shareholders.

6. The method of making public announcements.

7. The annual financial report of the company.

8. The regulations concerning the preparation of the balance sheet, the accumulation of the reserve fund, the division of profits, the right to vote, and the right of sale of the shares by the shareholders. In case of domestic companies, the reference to the corresponding provisions of the Commercial Code, in so far as these have not been altered by the stipulations of the company, shall be adequate.

9. The special advantages granted to individual shareholders in so far as these advantages refer to the right of sale or the redemption of the shares.

10. If two years have not yet expired since the registration of the company in the Commercial Register, the account of the advantages granted to individual shareholders and not included in figure 9; a description of the plant and other property acquired or to be acquired by the company; an account of the deposits for stock made by the shareholders and not paid in cash; a statement of the total amount of expenses incurred by the company, in the form of indemnity or reward to shareholders or other persons, on account of the organization of the company.

11. A statement of the amount of dividends distributed during the previous five years.

12. The balance sheet for the last business year, together with the profit and deficit accounts, or, if the first business year of the company has not yet expired, an account of the assets and liabilities.

13. The amount of the mortgage debts and loans, their maturity, and the method of redemption.

14. The right of sale of the shares exercised by the first subscribers and other persons.

The above provisions are applicable to the bonds of all limited liability companies.

SEC. 8.—There must also be submitted:

1. With each application for listing, proof of the legal title forming the basis of the issue (sec. 5, fig. 2), as well as a statement of the relation of the latter issue to the previously issued securities. (Sec. 5, fig. 8.)

2. In case of an application for the listing of a loan of a foreign state, a foreign municipal corporation, or a municipal credit institution, proof that the statements

furnished in accordance with section 6, A, figures 1 to 3, are based on official data.

3. In case of an application for the listing of securities of an enterprise based on a franchise, the certificate of the latter or an abstract therefrom containing the particulars required in section 6, B, figure 2.

4. In case of an application for the listing of shares or bonds of a stock company or a limited liability stock company:

(*a*) Proof of registration in the Commercial Register.

(*b*) The stipulations of the company.

(*c*) The last financial report.

(*d*) If two round years have not yet expired since the registration of domestic companies in the Commercial Register, the report made, in accordance with article 209 *h* of the Commercial Code, by special auditors.

These vouchers must be submitted in authentic form to the board of admission. Vouchers drawn in any other than the German, English, or French languages must be submitted together with an authenticated translation.

SEC. 9.—The requirements named in section 6, A, figures 1 to 3, and in section 8, figure 2, need not be enforced in the case of loans of foreign states whose financial position is universally known to be of such high standing that no further information designated in section 36, paragraph 3 b, of the exchange law, is required by the public. In the case of bonds of municipalities, companies, or individuals, which are guaranteed by such states as mentioned above, the requirements named in section 6, A, figures 1 to 3, section 6, B, figures 2 to 4, section 7, figures 2, 4 to 10 and 12, and section 8, figures 2 to 4, need not be enforced.

These exceptional privileges must not be granted in the case of the provisions of section 6, A, figure 4, relating to foreign states.

The state commissioner must be notified of the granted exceptions and their reasons.

SEC. 10.—Upon the receipt of the application for listing, the board of admission shall authorize the publication of the former, provided it has been submitted in compliance with the requirements of section 38, paragraph 1, of the exchange law.

The publication shall be made, at the cost of the applicant, in the "Reichsanzeiger" and at least in two other German newspapers. The latter are to be determined by the board of admission, and must include one paper which is published in the city where the exchange is located, and in the case of shares or bonds of a domestic stock company or limited liability stock company, one paper published in the immediate commercial district to which the company belongs. The application must also be made public by means of placards in the exchange rooms.

SEC. 11.—As soon as the publication is authorized, the board of admission shall at once proceed to examine the prospectus, which must contain all the particulars required in sections 5 to 7. Should any doubt arise as to the completeness or lucidness of the statements, the board shall require the applicant to make the necessary alterations.

The board shall further decide, in accordance with section 36, paragraph 3 *a* and *b*, of the exchange law, what other particulars shall be inserted in the prospectus, or what other documents must be submitted for examination, and shall notify the applicant accordingly.

Should the applicant fail to comply with these requirements, the application shall be rejected, subject, however, to the right of appeal according to the regulations of the exchange.

SEC. 12.—A minimum period of three days must elapse between the publication of the application in the newspaper of the city where the exchange is located and the decision of the board.

SEC. 13.—The board of admission shall examine all statements made to it as a result of the publication of the application, and take into consideration the conditions specified in section 36, paragraph 3*c*, of the exchange law.

The decision in favor of the listing must specify the date on and after which the listing on the exchange may take place, in accordance with the provisions of section 38, paragraph 1, sentence 2, of the exchange law.

The decision shall be announced for three days by means of placards in the exchange rooms.

The vouchers (section 8) shall be publicly exhibited in the exchange rooms from the time of publication of the decision until the actual listing on the exchange.

SEC. 14.—The applicant must secure the publication of the prospectus in the same newspapers, with the exception of the "Reichsanzeiger," in which the application for the listing was published.

SEC. 15.—Listed securities may be introduced on the exchange not before the third week day after the decision in favor of their being listed and after the date on which the prospectus was first published.

Imperial Chancellor,

(Signed) I. V. VON BÖTTICHER.

BERLIN, December 11, 1896.

IV. PROVISIONS CONCERNING BROKERS ON THE BERLIN EXCHANGE, JULY, 1906.

[Official Gazette ("*Amtsblatt*") of the Royal Government in Potsdam and the city of Berlin for 1906, p. 427.]

Pursuant to section 30, paragraph 2, and section 32, paragraph 1, of the exchange law of the 22d of June, 1896, I hereby ordain, in lieu of the repealed provisions of the 4th of December, 1896, and the supplement thereto of the 29th of December, 1900, concerning the brokers on the Berlin exchange, the following:

I. APPOINTMENT AND REMOVAL OF BROKERS.

SECTION 1.—Brokers shall be appointed by the lord lieutenant (*Oberpräsident*) of the Province of Brandenburg and the city of Berlin, upon whose order the state commissioner at the Berlin exchange shall administer an oath binding the said brokers to discharge faithfully the duties incumbent upon them (section 30, paragraph 1, sentence 3, of the exchange law).

SEC. 2.—Before any appointment is made the chamber of commerce and the chamber of brokers shall be consulted. They shall submit their opinions to the lord lieutenant through the state commissioner, the chamber of commerce being required to previously consult the board of directors of the exchange.

SEC. 3.—The appointed broker, after being sworn in, shall receive a certificate of appointment issued by the lord lieutenant.

SEC. 4.—A broker may be removed if he proves guilty of any gross breach of duty or if by his behavior in his official capacity or otherwise he shows himself unworthy of the respect, prominence, and confidence which his calling bestows upon him, or if he is incapacitated from discharging his official duties for a long time. The removal shall take place upon the order of the lord lieutenant, after the chamber of commerce and the chamber of brokers have been consulted. In urgent cases the state commissioner is authorized to temporarily prohibit the broker from exercising his functions.

SEC. 5.—The right of attending the exchange shall go with the appointment of a broker.

SEC. 6.—Each broker is required to recommend a deputy to represent him during leave of absence or in the event of his being hindered by illness from attending his duties. The chamber of brokers may, under special circumstances, release the broker from this obligation.

The regulations of sections 1 to 5 are applicable to deputies with the limitation that the appointment is only for a definite period. During the time of official capacity the deputies shall exercise all the rights and duties of brokers (sections 23 to 26, and 28 to 33).

The authority of the deputy shall be canceled by the declaration to that effect of the broker whom the former represents. The broker shall in due time give notice thereof to the chamber of brokers, which shall in its turn notify the lord lieutenant, the state commissioner, and the board of directors of the exchange.

THE CHAMBER OF BROKERS.

SEC. 7.—The brokers shall be represented by a chamber of brokers.

The chamber of brokers shall consist of 13 members and 6 deputies, of whom 11 members and 5 deputies shall be elected by the brokers of the stock exchange department from among their members, and the remaining 2 members and 1 deputy by the brokers of the produce exchange department from among their members.

The members elected by the produce exchange brokers shall take no part in business concerning the stock exchange department exclusively. The deputies shall be convened by the chairman of the chamber according to standing orders of the latter.

SEC. 8.—Members shall be elected to the chamber of brokers for a period of four years. After the expiration of two years, 6 members and 3 deputies of those elected from among the brokers of the stock exchange department and 1 member of those elected from among the brokers of the produce exchange department shall resign. The remaining 5 members and 2 deputies elected from among the brokers of the stock exchange department, as well as the remaining member and deputy elected from among the brokers of the produce exchange department, shall resign after the expiration of the next two years. Retiring members of the chamber are eligible for reelection. They shall remain in office until the newly elected members assume their duties.

SEC. 9.—The time and the manner of election to the chamber of brokers shall be fixed by the executive board of the chamber.

If legal proceedings are instituted against a broker which may result in his disqualification from public office, or if proceedings before the court of honor be pending against him, or if he be prohibited from exercising his functions, that broker shall be deprived of the right of vote and shall lose his eligibility for election.

Unless the electors unanimously decide otherwise, the election of the members to the chamber of brokers shall take place by secret ballot.

Candidates shall be elected by a majority vote.

If no absolute majority has been obtained, a second ballot with the names of those candidates who have received the larger votes, these names not exceeding twice the number to be elected, shall take place. The candidates receiving at the second ballot the larger number of votes shall be declared elected.

Objections against the validity of the election shall be submitted to the chamber of brokers within eight days after the announcement of the result. An appeal from the decision of the chamber of brokers may be made to the lord lieutenant.

SEC. 10.—If a member of the chamber of brokers resigns more than three months before the expiration of the period for which he was elected, the chamber of brokers shall cooptate a new member till the next election, from among the deputies.

At the next election the place of the retired member, if the period for which he was elected has not yet expired, shall be filled by a member elected to office for the remainder of the period.

If the period for which the retired member was elected has expired, a new election shall take place.

SEC. 11.—The board of directors of the chamber of brokers shall consist of a chairman, vice-chairman, secretary, assistant secretary, and treasurer.

The board of directors shall be elected by and from among the members of the chamber of brokers.

SEC. 12.—Minutes shall be kept of the meetings of the chamber of brokers and its board of directors, as well as of the election proceedings, and shall be signed by the chairman and the secretary.

The results of the elections of members to the chamber of brokers and the board of directors shall be communicated to the lord lieutenant, the state commissioner, the chamber of commerce, the senior merchants, and the board of directors of the exchange, and shall be announced by means of placards in the exchange rooms.

SEC. 13.—The following are the duties and powers of the chamber of brokers:

1. The exercise of supervision over brokers, which must not interfere with the authority of the state commissioner, the chamber of commerce, and the board of directors of the exchange.

2. The assignment of business to the individual brokers.

3. The settling of differences of brokers upon the application of the latter.

4. The settling of differences between brokers and their clients upon the application of the latter.

5. The rendering of opinion when required by state authorities.

SEC. 14.—The chamber of brokers may intrust individual members, or commissions formed from among its members, with the preparation or settling of specific affairs.

SEC. 15.—The board of directors shall administer the business of the chamber of brokers.

Its particular duties shall be as follows:

1. To represent the chamber of brokers in its affairs with a third party.

2. To administer the revenue and expenditures, as well as the investments and liquidations of the chamber of brokers and to submit annual reports of its administration to the chamber of brokers.

3. To arrange, convene, and conduct the meetings of the chamber of brokers, and to procure the execution of their decisions.

4. To appoint and superintend the employees required in connection with the management.

5. To submit to the state commissioner and the chamber of commerce annual reports of the activities of the chamber of brokers. The reports shall also be submitted to the senior merchants and to the board of directors of the exchange in as many copies as there are members, and also to each exchange broker.

SEC. 16.—Declarations of the board of directors, and particularly those made in behalf of the chamber of brokers, require the signatures of the chairman or his deputy and of one other member of the board of directors.

Written declarations must be provided with the official seal.

Declarations which are to be made to the chamber of brokers shall be taken into consideration if delivered to one member of the board of directors.

SEC. 17.—The office of the members of the chamber of brokers shall be honorary. Cash outlays incurred by the members shall be refunded to them.

SEC. 18.—The chamber of brokers shall be convened if either the state commissioner, the chamber of commerce, the senior merchants, the exchange board of directors, 5 members of the chamber of brokers, or 20 brokers file an application to that effect, stating the agenda.

SEC. 19.—Notice to attend the meetings of the chamber of brokers and the board of directors shall be given in writing by the chairman or vice-chairman. The state commissioner shall also be notified of the meetings to take place.

The state commissioner shall also be informed of the agenda. Decisions on all matters, with the exception of a motion for a new meeting of the chamber, shall be valid only if not more than 2 members of the chamber of brokers have voted against them.

The state commissioner is empowered to participate with an advisory voice in the meetings of the chamber of brokers and its committees.

SEC. 20.—The quorum of the chamber of brokers as well as of the board of directors must consist of more than half of the voting members. If no decision can be adopted because of the want of a quorum, a new meeting shall be called to take place not earlier than the next day, and the cause for such a meeting shall be stated in the call. The new meeting may pronounce its decision, provided it is attended by at least 3 members.

SEC. 21.—Decisions of the chamber of brokers and of the board of directors shall be adopted only by a majority vote. In the case of a tie, the vote of the chairman shall be decisive. Members who have personal interest in the decision shall have no vote. In all other respects, the chamber of brokers and the board of directors shall make their own standing orders.

SEC. 22.—At the beginning of each year an account of the revenue and expenditures of the chamber of brokers must be drawn up by the treasurer and approved by the chamber. The costs incurred may be defrayed by subscription of the brokers. The chamber of brokers shall determine the ways and means of the collection of such contributions.

RIGHTS AND DUTIES OF EXCHANGE BROKERS.

SEC. 23.—Exchange brokers are required to attend and sit through all the exchange meetings.

Applications for leave of absence must be made to the chamber of brokers, which may grant such leave for a total period of two months within each calendar year. A longer period of leave of absence may be granted by the lord lieutenant upon consulting the exchange board of directors. The latter shall be informed by the chamber of brokers of the granting of leave of absence.

SEC. 24.—Brokers are required to furnish to the best of their knowledge all information which may be requested by the members of the exchange who are authorized to fix the prices and quotations to be entered in the official list of the Berlin exchange.

If doubts or disputes arise in regard to the fixing of the quotations and prices, the member of the board of directors of the exchange, who is intrusted with that duty, is authorized to demand explicit information from the brokers, who are to be reminded of their oath. Such information must be recorded in the minutes. It is left to the discretion of the said member to test the validity of the information either by requiring the brokers to submit their daybooks for examination or in any other way that may be deemed necessary. In producing the daybooks the brokers have a right to withhold the names of their clients.

SEC. 25.—Brokers may act as business agents only for those exchange visitors who are in possession of an exchange card entitling them to conclude transactions on the exchange. Unless otherwise permitted by the clients or required by the nature of the transaction, the brokers are pledged to secrecy in regard to the orders placed with them.

Exchange brokers are authorized to negotiate such sales and purchases as, pursuant to the provisions of the commercial and the civil codes, must be transacted by a commercial broker. This provision does not apply to public auctions.

SEC. 26.—Brokers are required to enter daily in their daybooks and over their signatures all transactions which they have concluded for their own account or in their own name, as well as the guarantees assumed by them in connection with transactions concluded through their agency. (Sec. 32, par. 1, of the exchange law.)

ASSIGNMENT OF BUSINESS.

SEC. 27.—The assignment of business (sec. 13, fig. 2) shall take place every year during the first half of December for the next calendar year. Should occasion demand any change during the course of the year, the assignment may be altered by the chamber of brokers.

The state commissioner and the exchange board of directors shall be notified of the assignment of business as well as of each alteration made during the year.

The state commissioner and the exchange board of directors are empowered to recommend alterations in the assignment of business whenever they find it advisable.

Appeal from the decision of the chamber of brokers in regard to the assignment of business may be brought to the chamber of commerce by the state commissioner or the exchange board of directors within a period of six days after they have been notified of the decision.

SUPERVISION AND DISCIPLINE.

SEC. 28.—Like all exchange visitors, brokers shall be subject to the regulations of the exchange board of directors and the court of honor.

Supervision over the brokers shall be exercised by the chamber of brokers and the state commissioner.

Complaints concerning the activities of brokers in their official capacity shall be brought to the state commissioner who shall give notice thereof to the chamber of brokers and the exchange board of directors.

SEC. 29.—The chamber of brokers is authorized to enact rules and regulations for the official and business

functions of the brokers. These regulations require the sanction of the chamber of commerce which shall in its turn consult the exchange board of directors.

SEC. 30.—The state commissioner and the chamber of brokers are empowered to require the brokers to submit for examination their notebooks as well as their day-books.

SEC. 31.—Brokers guilty of breach of duties shall be subject to a disciplinary penalty to be imposed upon them by the chamber of brokers, provided the lord lieutenant does not release them from their obligations or provided their offense does not lie within the jurisdiction of the court of honor.

Disciplinary penalties shall particularly be imposed upon brokers who violate the rules and regulations enacted by the chamber of brokers; who, without reasonable excuse, fail to attend the exchange; or who, owing to negligence, furnish wrong information in connection with the fixing of quotations.

SEC. 32.—The disciplinary penalties are (1) warning, (2) reprimand, (3) fines not exceeding 1,500 marks, and (4) temporary removal from office and debarment from the exchange for a period not exceeding three months.

The exchange board of directors shall be notified—immediately after the decision goes into effect—of the removal from office and the debarment from the exchange of a broker.

SEC. 33.—The fines shall be collected by the board of directors of the chamber of brokers, and transferred to a special fund for relief of brokers or their families.

DISCIPLINARY PROCEEDINGS.

SEC. 34.—The chamber of brokers shall decide whether disciplinary proceedings should be instituted.

SEC. 35.—A legal expert shall be invited to assist in the disciplinary proceedings.

The presence of at least seven members of the chamber is necessary for adopting a decision.

SEC. 36.—Disciplinary proceedings shall be conducted behind closed doors.

SEC. 37.—In so far as no other provisions are enacted, those of the exchange law concerning the proceedings before the courts of honor shall be applicable.

The state commissioner shall have the same powers as in the case of proceedings before the courts of honor. (Secs. 9 to 27 of the exchange law.)

SEC. 38.—Appeal from the decision of the chamber of brokers may be made to the lord lieutenant by the state commissioner or the defendant within fourteen days after they have been notified of the decision.

The judgment shall be suspended by such appeal.

The Minister for Trade and Commerce,

(Signed.) DELBRÜCK.

BERLIN, *July 9, 1906.*

V. REGULATIONS OF THE CLEARING ASSOCIATION FOR INVESTMENTS IN FUTURES ON THE BERLIN STOCK EXCHANGE, FEBRUARY, 1909.

SECTION 1.—The purpose of the clearing association, which has its office in Berlin, is to facilitate and expedite settlings on clearing days of the Berlin stock exchange, and to balance and regulate the investments in futures made during the month by the members of the association on the Berlin stock exchange in accordance with the regulations of the board of directors of the association.

SEC. 2.—Any person wishing to be enrolled as a member of the association must submit a written application to the board of directors. The latter must examine the application and may reject it without giving its reasons.

In joining the association every member binds himself for the duration of one calendar year. If a member wishes to withdraw from the association he must send written notice to that effect to the board of directors not later than the 1st of December; otherwise he must pay his annual dues for the following year.

SEC. 3.—The expulsion of a member may take place if he suspends payments of dues or fails to fulfill his obligations to the association, particularly if he refuses to pay the fines imposed in accordance with sections 7 and 8, or to restore damages in accordance with sections 8

and 9, or if he fails to procure delivery or acceptance in accordance with section 10, and finally if he impairs the interests of the association by deliberately making false entries in his balance sheets. The expulsion of a member depends on the board of directors and may take place only when at least two-thirds of the members of the board vote in favor of such expulsion. The board of directors is empowered to issue a warning before expulsion.

No claim can be made by an expelled member for the restitution of his entrance fee or his annual dues.

SEC. 4.—In order to realize the purpose of the association, each member is required, even when he has no balance of securities to deliver or receive, to present to the office an account of his transactions in securities concluded during the last month with the members of the association. This account must be submitted on the following exchange day after the announcement of the premiums, during the hours fixed by the board of directors or by the office. The board of directors is not responsible for the safety of the balance sheets after the clearing hours.

If, by special arrangements of the parties concerned, a settling took place through the office during the course of the month, the balance sheets must be submitted in accordance with the regulations of the board of directors.

SEC. 5.—Every member who has a balance of securities to receive is required to attach receipts to his balance sheets. If he fails to do this, the office is authorized to announce the member as the receiver of the respective securities.

Every member who has a balance of securities to deliver is required to call at the office for a voucher at the time fixed by the board of directors.[a]

SEC. 6.—The delivery shall be made according to the rate of the clearing association. The difference between this rate and the one agreed upon by the parties must be settled between the contracting parties themselves.

SEC. 7.—Every member who entirely or partially fails to submit his balance sheets at the fixed time, even when he has no securities to deliver or receive, shall be subject to a fine to be determined by the board of directors of the clearing association. The fine is not to exceed 300 marks for each sheet which is missing or which has not been submitted in due time. The member must also defray the costs incurred by the association on account of the missing sheets or their late delivery.

Every member whose balance sheets contain errors, shall pay a fine of 6 marks for each error and defray the costs incurred and the loss of interest suffered by the association.

SEC. 8.—If the different balance sheets of the members do not agree, these sheets with the balance of securities to be received or delivered shall be left in the clearing office, where by the comparing of the various sheets the error shall be discovered.

(*a*) Supplementary clause adopted at the meeting of the members on the 11th of February, 1909:

The attaching of, and calling for, vouchers are not required in case of securities which, according to the decision of the board of directors, must be delivered and received through the clearing association. The securities are to be delivered to the association which, in its turn, delivers them directly to the receivers.

If the error has been discovered prior to the submission of the balance sheets of the next exchange, and if the correction has been made at once by the responsible member, the latter shall be subject to the fine named in section 7. But in case the error can not be found by that time, and there is a balance to receive, the office is authorized to accept the securities in the name of the association.

The member subsequently found responsible for the error shall be subject to a fine, besides having to defray the costs incurred and the loss of interest, in case he declares himself willing to accept at once all the securities which were temporarily taken over by the clearing association, or to deliver the missing securities.

If the responsible member fails to accept or deliver the securities in due time, the securities which were taken over by the association shall, on the next exchange day, be sold to the highest bidder, and the securities which were missing shall be bought on the account of the responsible member, through an exchange broker. The association is also empowered, instead of negotiating a sale or purchase through a broker, to require from the responsible member the payment of the difference between the clearing rate and the average quotation on the next exchange delivery day.

In either case the responsible member is liable not only for the difference between the rates and the subsequent damages, but also for the usual brokerage.

SEC. 9.—If no restitution of the damages designated in section 8 can be obtained from the responsible member, the liability shall be shifted proportionately to all mem-

bers who have been connected with the former member in the transactions of the particular securities, i. e., in case of his refusal to accept the securities which had thus to be sold through an exchange broker, the members who delivered these securities shall be responsible, and in case of his failure to deliver the missing securities which had thus to be purchased by the association, the members who are to receive the securities shall be held responsible.

Any surplus resulting from the sale or purchase of the securities shall go to the association, provided the legitimate owner of the profit can not be located.

SEC. 10.—In order to avert postponement of action till the next exchange day after the delivery day, all claims in regard to nondelivery or nonacceptance of securities must be made at 1 o'clock to one of the managers of the office who may then be present. If the claims are well grounded, the manager shall confer with the member of the board of directors who is then on duty, and they shall jointly remind the delinquent of his obligation to deliver or accept the securities. These officials are also authorized to proceed at once in accordance with sections 8 and 9. If a member of the association sends written notice to the board of directors before or on the delivery day to the effect that he is unable to accept or deliver the securities named in his balance sheets, the board is authorized to proceed without delay in accordance with sections 8 and 9. In all these cases the designated provisions are also applicable in regard to restoration of damages.

SEC. 11.—In order to maintain a guaranty fund for eventual losses, an initiation fee of 75 marks shall be

required from each member. All fines and other revenues of the association, with the exception of the annual membership dues, shall be transferred to this guaranty fund.

The administration of the guaranty fund and its utilization for the purpose ordained by the statutes shall lie with the board of directors, which is authorized to invest the accumulated fund in interest-bearing German imperial or Prussian state bonds or in any other interest-bearing securities in which investments of trust funds may be made. The acquired securities shall be deposited according to articles 84 and 85 of the Prussian ordinance which relates to the enactment of the Civil Code.

If the guaranty fund exceeds the sum of 300,000 marks, the residue of the annual budget of the association may be employed for the partial defrayal of the administrative expenditures.

If, through losses suffered by the association, the guaranty fund becomes exhausted, a special meeting of the members must be called at once to decide upon necessary measures.

Sec. 12.—For the purpose of defraying the administrative expenditures of the office, each member of the association shall pay annual dues which must not exceed 3,000 nor fall below 60 marks. The dues shall be fixed every year in proportion to the stipulated sum of administrative expenditures of the clearing office.

The assessment of each member shall be made by a committee consisting of (1) 5 delegates selected by and from among the members of the board of directors, and (2) 6 members of the association elected annually at the general meeting of the association.

The meetings of the committee must be presided over by the chairman of the board of directors, who must be elected one of the 5 delegates, or by the vice-chairman, who is also authorized to substitute the chairman, in case of his absence, at the meetings of the committee. A quorum of the committee must consist of at least 3 members of the board of directors and 3 members of the association. Decisions shall be adopted by a simple majority. In case of a tie, the chairman shall have the decisive vote. Voting may take place by written ballot.

Members joining the association during the course of the year must pay in full the annual dues for which they have been assessed.

SEC. 13.—The association shall be represented by the board of directors consisting of 11 members. The board and its individual members shall prove their identity to outside parties by means of certificates to be issued by the chief of police of Berlin, who, for this purpose, must always be notified of the results of the elections.

Decisions or binding declarations in behalf of the association may be adopted when 6 members of the board of directors are present or send in their written declarations. The decisions of the board of directors shall be recorded, and the minutes shall be signed by the members present at the meeting.

Documents issued by the board of directors shall bear the signatures of the chairman or vice-chairman, and the secretary, or, in case of his absence, of any other member of the board.

The board of directors is required to discharge the following functions, viz, to protect the rights and in-

terests of the association, to exercise general control over the clearing affairs, to buy securities which have not been delivered or sell those which have not been accepted, to draw up standing orders, to determine the amounts of fines, to assess the responsible parties for the restitution of eventual damages, to enroll new members, to conclude eventual compacts, and to represent the association before the courts.

Meetings of the board of directors shall be called by the chairman as often as required by the business or upon the request of 3 members of the board, but at least one regular monthly meeting shall be held in the first week of each month. The board shall appoint one of its members every month to discharge special administrative duties and to represent the board on the exchange.

A member of the board of directors who is a copartner of a firm may be represented in the board by any other member of the firm. The latter, however, not being a member of the board of directors, has no right to represent the association before third parties.

SEC. 14.—The members of the board of directors shall be elected from among the members of the association at a regular meeting for a term of three years, i. e., till the following third general meeting. Regardless of eventual vacancies, 4 members shall resign annually for two successive years, and 3 members after the third year, i. e., upon the expiration of their term. Until a regular order of succession shall have been established, the resignation of the members shall be determined by lots to be drawn by the

chairman or vice-chairman of the board of directors. Retiring members shall be eligible for reelection.

At its first meeting after the regular annual meeting of the association, the board of directors shall elect from among its members and for a period of one year a chairman, vice-chairman, secretary, and treasurer.

The vice-chairman is authorized to represent the chairman at any time without having to prove that the chairman has been prevented from discharging his functions. Should a vacancy in the board of directors occur during the course of the year, the board shall cooptate one of the members of the association till the next general meeting of the latter, when a member shall be elected for the remainder of the term which the retired member did not serve.

Every member of the board of directors is pledged to secrecy in regard to the contents of balance sheets.

Should both the chairman and the vice-chairman be temporarily prevented from discharging their duties, these latter shall for the necessary time be assumed by the oldest member of the board of directors who is neither secretary nor treasurer of the association. If also the oldest member is unable to act in the capacity of chairman, this duty shall be devolved on the next oldest member, and so on.

SEC. 15.—The clearing office shall be established either by the association itself in accordance with the provisions of the board of directors or by one of the banking institutions in accordance with stipulated business regulations of the board of directors. The election of officers shall,

in the former case, be made, and in the latter case be approved, by the board of directors.

All the employees of the office are pledged to the strictest secrecy in regard to the contents of the balance sheets.

SEC. 16.—Should differences which can not be settled amicably arise between the association and the individual members, the decision of the board of directors of the Berlin stock exchange shall be conclusive.

SEC. 17.—The regular general meetings of the association shall take place in Berlin during one of the first two months every year. Special meetings shall be called as often as the board of directors deems necessary, or either in the case named in section 11, paragraph 4, or when an application containing the reasons and purpose of such a meeting is made by at least 30 members.

A general meeting shall be regarded as properly convened when at least fourteen days' notice has been published, together with a statement of the order of business, in the Berlin "Börsen-Zeitung," "Bank- und Handels-Zeitung," "National-Zeitung," and "Börsen-Courier." The notice shall be issued by the board of directors, which, in case one of the named newspapers should cease to appear, is authorized to designate another in its stead for printing the public announcements of the association.

The chairman, or vice-chairman, of the board of directors shall preside over the general meetings and determine the method of voting.

A financial report of the association shall be submitted, and the resignation of the board of directors of the expired year tendered, to the regular general meeting at which a

new board of directors (section 14) and a new committee of assessors (section 12) shall be elected. If the elections have not been unanimous by acclamation, a ballot shall be taken and decided by a simple majority. If no majority has been obtained, a second ballot with the names of those candidates who have received the larger votes, these names not exceeding twice the number to be elected, shall take place. In case of a tie the election shall be decided by lot drawn by the chairman of the meeting. The proceedings of the general meeting must be recorded and the minutes signed by the chairman and three members present at the meeting.

Recommendations to the general meeting must be presented in due time so that they may be stated in the notice of the meeting.

No decision can be passed upon questions which have not been announced in the notice of the meeting, except when a motion for a special general meeting has been made at the meeting. Each member is entitled to one vote.

The annual financial accounts, as well as the report of the activities of the association, shall be filed after each general meeting with the nearest state supervising authority.

SEC. 18.—The existence of the association is not limited to any specific period.

Changes in these statutes, as well as the dissolution of the association, may take place only upon the decision of the general meeting. Decisions relating to amendments of these statutes may be adopted only by three-fourths of the members present at the meeting.

The association shall be regarded as dissolved when three-fourths of the members of the association are present at a general meeting called especially for that purpose and vote in favor of dissolution. If three-fourths of all the members are not present, a new general meeting must be called, which may decide upon the dissolution of the association by a vote of three-fourths of the members then present at the meeting, provided such a stipulation has been inserted in the notice of the meeting.

SEC. 19.—In case of the dissolution of the association by the general meeting, one-half of its property shall be conveyed to the senior merchants of Berlin for further transfer to the aid fund of the Berlin corporation of merchants and the other half to the Friedrich Wilhelm Victoria Foundation of Berlin. Should the Berlin corporation of merchants have ceased to exist at the time of the dissolution of the association, the general meeting which shall have voted to dissolve the association, shall decide upon the utilization of the one-half of the property. Should the charter granted to the association be revoked, the above-named transfer of property shall not take place, and the general meeting which shall have voted to dissolve the association shall decide upon the utilization of the property.

SEC. 20.—Changes in these statutes and the dissolution of the association (section 19, paragraph 1) require the sanction of the State.

Approved by the Chamber of Commerce of Berlin, on the 26th of February, 1909.

VI. *REGULATIONS OF THE CLEARING OFFICE OF THE BERLIN KASSEN-VEREIN FOR INVESTMENTS IN FUTURES ON THE BERLIN STOCK EXCHANGE, FEBRUARY, 1909.*

Pursuant to section 15 of the statute of the clearing association in respect to investments in futures on the Berlin stock exchange, the undersigned bank of the Berlin (*Kassen-Verein*) Association of Banks, assuming the administration of the clearing office, enacts, with the sanction of the board of directors of the said clearing association and upon the repeal of the former provisions of January 20, 1880, the following:

SECTION 1.—The board of directors of the clearing association shall decide what securities may be delivered for clearing, and determine the conditions under which the clearing shall be effected (i. e., the minimum amounts, the right of sale, and the like).

SEC. 2.—For every clearing the following blanks shall be provided by the clearing office:

1. A special blank for each security to be cleared, on which the names and firms of all the members of the association shall be printed in alphabetical order. Every member shall receive a number corresponding to his position in this alphabetical list.

2. A blank for acknowledging the receipt of delivery vouchers, on which every security to be cleared must be printed in consecutive numbers.

3. A circular containing the provisions and the periods of clearing.

Special provisions for particular securities shall, as far as possible, be inserted in the corresponding clearing blank. Such inserted, as well as attached, notes must be strictly observed.

SEC. 3.—The printed matter named in section 2 shall be distributed not later than on the third day before the clearing.

SEC. 4.—Every member shall receive a copy of the printed matter. Each extra copy can be obtained at the cost of 3 marks per month. Single copies of the clearing and receipt blanks shall be given free of charge if there be any surplus.

SEC. 5.—The printed matter shall, in the case of members having daily clearings with the bank of the Berlin Kassen-Verein, be handed over to the persons calling for the accounts; in other cases, the blanks shall be forwarded to the address of each member. The clearing office must therefore be notified in due time of each change of address.

Members residing outside of the city of Berlin shall call for their blanks. The latter, however, at the request of such members, may be sent to them in a manner they may designate, at their risk and cost.

SEC. 6.—Each member shall enter in the clearing blank on the line assigned to him only the balance of the particular securities which he must receive from, or deliver to, other members. In the former case the balance is entered on the left, in the latter on the right side.

All transactions, including those performed on the day of delivery of the balance sheets, shall be entered for clearing.

Each sheet shall be footed up and the balance brought over. The firm of the member shall be designated at the top as well as at the end of each sheet, for which purpose a clear stamp is adequate. The top of each sheet must also contain the number of the firm.

At the end of each balance sheet the total balance shall be struck in accordance with the directions given in the blank.

All entries in the balance sheets must not only be correct but also clear and legible. In order to enforce order and promptness of business, a fine of 6 marks shall be imposed for each inaccurate or illegible entry.

SEC. 7.—Unless balances with every individual member be absolutely clear, each member, as long as he has concluded transactions in a particular kind of securities, even when he has no balance of these latter to receive or deliver, is required to present an account of his transactions in the particular securities.

SEC. 8.—Any member who has to receive a balance of securities shall attach with a pin to the corresponding balance sheet one or several delivery vouchers. Such vouchers must not be made out in case of amounts which can not be presented for clearing (cf. sec. 1).

The provisions of section 12 shall be applicable to those securities the delivery and receipt of which through the clearing association has been regulated by the board of directors in accordance with section 5 of the statute.

SEC. 9.—The clearing office has a right to issue, when necessary, several smaller vouchers equivalent to the delivery voucher. These vouchers shall be made out by

the clearing office and be provided with the signature of the director or his representative. The members of the association must accept the securities named in such vouchers.

The firms which must deliver the securities may not break up the sum of the delivery voucher. Should this be done the securities named in the smaller vouchers shall not be accepted.

SEC. 10.—The office of the clearing association shall settle only such transactions as the members of the association, whose names are to be printed on every balance sheet, conclude among themselves. Transactions with other firms shall be cleared only in case the right of effecting a settling has been extended to a member of the association prior to the clearing.

Members of the association may present vouchers with the names of nonmembers as receivers. Such a voucher shall be provided, in a clear and legible way, with the name of the member presenting it as well as with an explicit note to the effect that the designated member is the deliverer of the voucher and not the receiver of the securities. It is recommended that across the face of the voucher there be inserted the words "Handed in by ....." (name).

The member handing in such a voucher is responsible to the association for the proper acceptance of the securities. In case of the nondelivery of the securities, the member who handed in the voucher may present his complaint to the clearing association, but all complaints of the designated receiver shall be disregarded.

SEC. 11.—The provisions concerning errors (sec. 20, par. 2) shall be applied whenever a member fails to attach a delivery voucher to a clearing sheet containing the balance of securities he is to receive, or when he attaches vouchers higher or lower in amount than the actual balance, as well as when he wrongly designates the kinds of the securities.

The clearing office is authorized to regard such a member as the receiver of the missing securities.

Enactment of the board of directors of February 11, 1909:

SEC. 12.—The following provisions shall be applicable to those securities the delivery and receipt of which through the clearing association have been regulated by the board of directors in accordance with section 5 of the statute:

1. Receipt vouchers shall not be attached to the balance sheets.

2. Any error in a balance sheet must be corrected on the next exchange day before 1 o'clock.

3. A bill for the balance of securities to be delivered shall be drawn against the clearing association and be presented in the usual way to the bank of the Berlin Kassen-Verein for payment within the customary period of time. The bill shall contain the following caption: "Account of our balance sheets for the monthly clearings."

4. The corresponding securities must be submitted together with the bill. A red security check shall be adequate if the deliverer is a giro account holder of the bank of the Berlin Kassen-Verein and if he has deposited the securities on his account.

5. The balance of securities shall be delivered to the receiver by the administration of the clearing office on behalf of the clearing association. The amount of the bill shall be collected in the usual way, either in cash or through the clearing process.

6. Delivery of securities to giro account holders of the bank of the Berlin Kassen-Verein shall be effected by means of transfers to their accounts, provided the equivalent value of the securities has been deposited with the association. The Kassen-Verein may, in certain cases, refuse to surrender the securities carried over to the account, before 6 p. m.

SEC. 13.—Every member shall turn in to the clearing office his balance sheets, filled out and with the attached vouchers, in a sealed envelope furnished to him together with the printed matter, not later than 8 p. m. on the clearing day designated on every balance sheet.

The balance sheets for those securities in which the member has concluded no transaction shall be retained by him.

SEC. 14.—The delivery of the balance sheets shall be certified upon the request of the deliverer, the clearing office or the bookkeeping department of the bank of the Berlin Kassen-Verein affixing its stamp to a receipt made out by the deliverer.

The receipt may be entered in the blue temporary receipt book furnished by the Berlin Kassen-Verein.

SEC. 15.—Members who are to receive delivery vouchers shall call for them at the clearing office between 8 and 11 a. m. on the exchange day following the delivery day,

and present receipts made out on the blanks furnished to them together with the printed matter. (Sec. 2, fig. 2.)

If at the designated time some of the delivery vouchers can not yet be handed over, provisional vouchers shall be made out to be exchanged by the holder for final ones, during the same day, at the exchange.

If a member fails to call for his delivery vouchers in due time, he shall bear all the consequences that may follow.

SEC. 16.—In order to avoid errors as far as possible, members are urgently requested to check up their balances beforehand and especially to enter in the balance sheets no other items than direct negotiations (i. e., making no entries, for example, of transfers of securities to accounts of third parties, returns of loaned or hypothecated securities, etc.), unless otherwise stipulated with the party concerned.

SEC. 17.—Complaints in regard to failure to receive or deliver securities for clearing shall be made in writing to the bank of the Berlin Kassen-Verein either on the delivery day, till 8 p. m., or on the next exchange day till 11 a. m.

Pursuant to section 8 of the statutes of the association, no complaint shall be taken into consideration if not presented at the designated time to the said bank, or, before 1 p. m. on the exchange day following the delivery, to the director of the clearing office then on duty at the exchange. After the expiration of the said time the clearing association shall be released from any further responsibility.

Complaints made verbally or by telephone to the bank of the Berlin Kassen-Verein shall not be considered.

SEC. 18.—Changes in these regulations as well as supplementary clauses, in respect to particular balance sheets, may be introduced at any time with the approval of the board of directors. The latter is also authorized to prohibit the clearing of particular securities even after the balance sheets have been distributed.

SEC. 19.—Every new member enrolled in the association shall receive a copy of these regulations together with a copy of the statutes of the association.

SEC. 20.—Attention is finally called to the fact that according to section 5 of the statutes of the association, any member who, even when he has no balance of securities to receive or deliver, entirely or partially fails to present his balance sheets in due time, shall be subject to a fine to be fixed by the board of directors of the clearing association, but not to exceed 300 marks for each sheet missing or not presented in due time. The said member shall also defray all costs incurred by the association on account of the securities which have been missing or have not been delivered in due time.

Any member whose balance sheets contain errors shall be subject to a fine of 6 marks for each error, besides having to defray all costs and interest suffered by the clearing association.

THE BANK OF THE BERLIN KASSEN-VEREIN.

BERLIN, *February 12, 1909.*

Approved by the Chamber of Commerce of Berlin, February 26, 1909.

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